Agenda

Audit Committee

Wednesday, 7 December 2022 at 7.30 pm

New Council Chamber, Town Hall, Reigate

This meeting will take place in the Town Hall, Castlefield Road, Reigate. Members of the public, Officers and Visiting Members may attend remotely or in person.

All attendees at the meeting have personal responsibility for adhering to any Covid control measures. Attendees are welcome to wear face coverings if they wish.

Members of the public may observe the proceedings live on the Council's website.

Members:	
J. P. King (Chair)	
J. Baker	Z. Cooper
G. Adamson	A. King
J. Booton	C. Thompson
G. Buttironi	R. Coyle
V. Chester	

Substitutes:	
Conservatives:	M. S. Blacker and R. S. Turner
Residents Group:	J. S. Bray and N. D. Harrison
Green Party:	P. Chandler, J. C. S. Essex, S. McKenna, A. Proudfoot, S. Sinden, R. Ritter and D. Torra
Liberal Democrats	S. A. Kulka

Mari Roberts-Wood- Managing Director

Reigate & Banstead
BOROUGH COUNCIL
Banstead | Horley | Redhill | Reigate

9. Audit Work Programme Schedule 2022/23   (Pages 175 - 180)

To discuss and agree any changes to the schedule for Audit Committee's Work Programme 2022/23 and note the Action Tracker.

10. Any Other Urgent Business

To consider any item(s) which, in the opinion of the Chair, should be considered as a matter of urgency – Local Government Act 1972, Section 100b (4)(b).

Note: Urgent business must be submitted in writing but may be supplemented by an oral report.

11. Exempt Business

RECOMMENDED that members of the Press and public be excluded from the meeting for part of items 5 and 6 of business under Section 100A(4) of the Local Government Act 1972 on the grounds that:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

7. Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

Our meetings
As we would all appreciate, our meetings will be conducted in a spirit of mutual respect and trust, working together for the benefit of our Community and the Council, and in accordance with our Member Code of Conduct. Courtesy will be shown to all those taking part.

Streaming of meetings
Meetings are broadcast live on the internet and are available to view online for six months. A recording is retained for six years after the meeting. In attending any meeting, you are recognising that you may be filmed and consent to the live stream being broadcast online, and available for others to view.

Accessibility
The Council's agenda and minutes are provided in English. However, the Council also embraces its duty to anticipate the need to provide documents in different formats, such as audio, large print or in other languages. The Council will provide such formats where a need is identified prior to publication or on request.

Notice is given of the intention to hold any part of this meeting in private for consideration of any reports containing "exempt" information, which will be marked accordingly.

Minutes of a meeting of the **Audit Committee** held at the **New Council Chamber - Town Hall, Reigate** on **Wednesday, 7 September 2022** at **7.30 pm**.

Present: Councillors J. Baker (Vice-Chair), J. Booton, G. Buttironi, V. Chester, Z. Cooper, A. King, C. Thompson and R. Coyle (Co-Opted Member)

Visiting Member present: Councillor Lewanski

14 Minutes

The minutes from the meeting held on 14 June 2022 were **APPROVED.**

15 Apologies for Absence

Apologies for absence had been received from Councillors Adamson and Schofield.

16 Declaration of Interest

There were none.

17 Treasury Management Strategy Outturn 2021/22

The Chief Finance Officer explained that this report provided an update on the performance of the Council's treasury management activities for the last financial year. The report formed part of formal reporting requirements under the CIPFA Code of Practice on Treasury Management.

This report would be considered by the Executive on 15 September 2022 before submission to Council for approval on the 22 September 2022.

Overall, the report showed that the Council's treasury management activity for last year was on track and complied with the limits that members previously approved.

Following a member question, it was explained that the difference in the figures shown within tables 2 and 3 (page 23 of the report) were due to budget adjustments in the year and reconciliation of the figures would be provided via written response. The presentation of these the figures would be reviewed when preparing future reports.

A member of the Committee stated that the format of the report did not always allow the Committee to understand the basis for the figures. The chief Finance Officer explained that the Council followed templates provided by its Treasury Advisor. She also advised that there were currently two leading Treasury Advisors in the market and the Council was due to go through a tendering process in the autumn to re-let its contract; as part of that tender evaluation the quality of template formats for reporting could be considered.

Following a member question, it was explained that Greensand Holdings was a wholly owned company, with a Board of Directors and a business plan. This was a property holding company whose assets were Crown House (an office building) and a plot of land adjacent to Gatwick Airport. The sum shown in the Treasury Management report represented the value of the loan funding that the Council provided to the company to purchase those assets and the accrued interest. Members were apprised that the loan from the Council to Greensand Holdings could only be provided on commercial terms. A written response would be given to members outlining the terms of the loan.

RESOLVED that:

I. The Committee notes the Treasury Management Performance for 2021/22;

II. Feedback from the Committee be provided for consideration by the Executive; and

III. Written responses would be sent to Members.

18 **Internal audit - Quarter 1 2022/23 progress report**

Natalie Jerams, Deputy Head of Southern Internal Audit Partnership (SIAP), gave the Committee an overview of the quarter 1 progress report on the delivery of the internal audit plan, highlighting any key observations and giving an update on live audit reports.

It was noted that 5% of the audits had been completed to date and 37% were in progress, with 2 audit reports at draft report stage. Internal audits were on track with the audit plan for 2022/23. Page 48 of the report detailed the analysis of live audit reviews and those with pending or overdue management actions. Annexes 1 and 2 provided the detail of the management actions along with any revised target dates set by officers. SIAP followed all management actions through to completion.

The audit of contract management received a limited assurance audit opinion, and this was detailed on pages 49 and 50 of the report. A response from officers was also outlined in the report.

In quarter 1, 2 additional reviews were added to the 2022/23 audit plan and these were:

- Test and Trace Contain Outbreak Management Fund (COMF)
- Test and Trace Support Payment Scheme Funding (TTSP)

It was explained that these audits looked at the Government grants that the Council was responsible for administering during the pandemic to residents and businesses. These grants required an internal audit review and sign off by the Council's Chief Internal Auditor. In order to accommodate these reviews within the 2022/23 plan, the audit on the Corporate Plan was being deferred until next year.

In response to a member questions it was stated that:

- The remaining outstanding report from 2021/22 (parking and enforcement review) was looking to be finalised shortly, it was currently at draft report stage. A management response would be sought from the service head.
- SIAP had 200 days programmed for audits in 2022/23 and the two new audits that had been programmed in would take approximately 8-10 days to complete and this equated to approximately 5% of the auditor's time. It was felt this was proportionate to the large sums of money that had been administered on the Government's behalf. It was noted that the TTSP review was close to completion.
- Two reviews were currently at draft report stage. In respect of the business continuity review, a response had been received from the service lead. The decision-making review remained at draft report stage currently. It was not appropriate to disclose the assurance opinions on these reports until the reports were finalised.

In respect of the contract management audit, a question relating to the value of the contract where the contract manager did not hold a copy of the contract was asked and the reasons for the oversights described in the report were requested. The Strategic Head of Legal and Governance would provide a written response to these points. However, the Committee was assured that the contract manager highlighted within the appendix (page 49), did now have the information they required to oversee the contract effectively and monthly meetings were now being recorded; this contract would continue to be monitored. Members encouraged the Council to consider purchasing a contract module system to assist with contract management.

It was acknowledged that improvements were required in respect of corporate oversight of contracts and this included more dip sampling of contracts across the board. In respect of the procurement audit, it was acknowledged that the Council was facing challenges within procurement due to staffing requirements. Discussions were taking place with CIPFA regarding strategy and other local authorities to assist in plugging this gap.

More detail was sought regarding the overdue low and medium management actions shown in annex 2 to the report. It was requested that the Committee received this as a regular update and a written response was requested on the overdue management action for IT Virtualisation.

RESOLVED that:

I. The Committee notes the Q1 2022/23 internal audit progress report available at annex 1; and,

II. The Committee makes any comments and/or observations on the report to the Council's Chief Finance Officer.

III. Written responses would be sent to Members.

19   Risk management - Quarter 1 2022/23

The Head of Head of Corporate Policy, Projects & Performance stated that this report provided an update on risk management in Q1 2022/23. No new strategic risks were proposed, and no strategic risks had been identified for closure.

Agenda Item 1

Following on from the Committee's meeting held in June 2022, it was confirmed that the Executive agreed to maintain two separate strategic risks on challenging economic conditions, with one focussing on residents and the other on businesses and that these should be considered as part of the 2022/23 update on risk management.

As well as showing the strategic risks, the report highlighted one red operational risk, and this was set out in the part 2 exempt annex.

RESOLVED that Committee notes the Q1 2022/23 update on risk management provided by the report and make any observations to the Executive.

20   Audit Work Programme Schedule 2022/23

The Clerk explained that the work programme set out the intended work to be carried out by the Committee over the coming municipal year. This was a live document and was subject to change according to requirements and availability of information.

The action tracker gave members information relating to the status of actions that had been requested by the Committee.

RESOLVED that the report be noted.

21   Any Other Urgent Business

Members were requested to contact the Clerk if they wished to attend the forthcoming CIPFA training later in the month.

22   Exempt Business

RESOLVED that members of the press and public be excluded from the meeting for part of agenda items 5 (Internal Audit – Quarter 1 2022/23 progress report) and 6 (Risk Management Quarter 1 - 2022/23) under Section 100A(4) of the Local Government Act 1972 on the grounds that:

It involves the likely disclosure of exempt information as defined in paragraph 7 of Part 1 of Schedule 12A of the Act;

i. Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

The meeting finished at 8.30 pm

SIGNED OFF BY	Chief Finance Officer
AUTHOR	Jacquie Aboagye, Finance Manager
TELEPHONE	01737 276302
EMAIL	Jacqueline.Aboagye@reigate-banstead.gov.uk
TO	Audit Committee Executive Council
DATE	Wednesday 7 December 2022 Thursday 15 December 2022 Thursday 9 February 2023
EXECUTIVE MEMBER	Deputy Leader and Portfolio Holder for Finance and Governance

KEY DECISION REQUIRED	Y
WARDS AFFECTED	(All Wards);

SUBJECT	Treasury Management Mid-Year Report 2022/23

RECOMMENDATIONS

Audit Committee

(i)   **To consider this update on Treasury Management Performance for the year to date and provide any comments for consideration by Executive.**

Executive and Council

(i)   **To note the Treasury Management Performance for the year to date and the updated prudential indicators.**

REASONS FOR RECOMMENDATIONS

This report confirms compliance with the requirements of the regulatory framework for treasury management.

The Council is required to receive and approve, as a minimum, three treasury reports each year, which incorporate relevant policies, estimates and actuals:

(i) **Prudential and Treasury Indicators and Treasury Strategy** – sets the framework for treasury management activities in the following financial year.
- The Treasury Management Strategy and Performance Indicators for 2022/23 were previously approved by Council on the 7 April 2022.

(ii) **Half-Year Treasury Management Report** – updates Members on the current borrowing and investment position, whilst amending prudential indicators and revising policies where necessary.
- This report.

(iii) **Annual Treasury Management Outturn Report** – a backward-looking review focussing on the previous year's performance.
- The outturn report for 2021/22 was reported to Audit Committee on 7 September 2022, Executive on 20 October 2022 and approved by Council on 27 October 2022.

EXECUTIVE SUMMARY

This report sets out treasury management performance for 2022/23 to date including performance against the Prudential and Treasury Management Indicators.

It will be presented to Audit Committee on 7 December 2022, Executive on 15 December 2022 and on 9 February 2023 full Council will be asked to approve the recommendations.

At 30 September 2022, the position is that:

- No external borrowing has been required as the Council continues to hold sufficient cash balances to fund its expenditure plans;

- Investments in Money Market Funds totalled £26.5 million, slightly down from £26.6 million at the end of March 2022; and

- Long-term investments in companies have risen from £17.3 million at the end of March 2022 to £17.7 million in September, due to the addition of accrued loan interest.

The forecast year end position:

- External borrowing is still not anticipated before March 2023;

- Money Market Funds will continue to be utilised as they ensure achievement of the Council's security, liquidity, and yield objectives. Balances are forecast to decrease to £20.5 million; and

- Company investments, including interest, are forecast to be £18.2 million by year-end.

Council has authority to approve the recommendations.

STATUTORY POWERS

1. The Council is required to approve an annual Treasury Management Strategy Statement, Prudential Indicators, Minimum Revenue Provision Policy and Borrowing Limits so that borrowing and investments are prudent, affordable and sustainable.

2. Treasury management activity is managed as an integral part of the Council's statutory obligation to effectively manage its finances under the Local Government Act 2003 and associated guidance.

3. Treasury Management activities are undertaken in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management, the Prudential Code for Capital Finance in Local Authorities, and the Government's (DLUHC) Investment Guidance.

BACKGROUND

4. The Council is required to approve an annual Treasury Management Strategy Statement ('the Strategy'), Prudential Indicators, Minimum Revenue Provision Policy and Borrowing Limits to help ensure that borrowing and investments are prudent, affordable and sustainable.

5. The Treasury Management Strategy and Performance Indicators for 2022/23 were approved by Council on 7 April 2022.

6. This report provides an update on performance at 30 September 2022.

Compliance with the Approved Strategy

7. One matter is highlighted with regard to the approved Treasury Management Strategy Statement for 2022/23:

- Table 14 (Counterparty lists) specifies that non-UK banks must be domiciled in a country which has a minimum sovereign long-term rating of 'AA-';

- This is not consistent with paragraph 4.3 and Appendix 5.5 in the Strategy which stipulates that the Council will only invest in countries which have sovereign ratings of AAA or higher;

- No investments have been made outside of the UK; therefore, this has not resulted in a breach of the Treasury Management Strategy Statement;

- The inconsistency will be updated in the 2023/24 Strategy.

8. There has been one minor breach of counter-party limits during the first six months:
   - Lloyds and Bank of Scotland investments

Quarter	Days in period	Days above limit	Average above limit £
One	60	1	168,194
Two	64	-	-

Action has been taken to review investment procedures to ensure against recurrence.

OPTIONS

9. There are three options:

(i) For Audit Committee:

Option 1 – Receive the report and provide any feedback for consideration by Executive

This is the recommended option.

Option 2 – To note the report and ask Officers to provide more information and/or clarification on any specific points

Option 3 – To reject the report. This would result in delays in achieving compliance with the guidance which requires approval of a mid-year report.

(ii) For Executive and Council:

Option 1 – Approve the report

This is the recommended option.

Option 2 – To note the report and ask Officers to provide more information and/or clarification on any specific points

Option 3 – To reject the report. This would result in delays in achieving compliance with the guidance which requires approval of a mid-year report.

LEGAL IMPLICATIONS

10. There are no further legal implications arising from this report

FINANCIAL IMPLICATIONS

11. The financial implications of treasury management activities were reported in the budget section of the Quarter 1 Performance Report to Executive on 20 October 2022. There are no additional direct financial implications that arise from this report.

EQUALITIES IMPLICATIONS

12. There are no equality implications arising from this report.

ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS

13. The Treasury Management Code includes specific reference to Environmental, Social and Governance ESG considerations relating to credit and counterparty risk management: '…*The organisation's credit and counterparty policies should set out its policy and practices relating to ESG investment considerations. This is a developing area, and it is not implied that the organisation's ESG policy will include ESG scoring or other real-time ESG criteria at individual investment level…*'

14. CIPFA has indicated that they will be working with the local authority sector during 2022/23 to develop an ESG scoring methodology for treasury management investments. In the meantime CIPFA expect local authorities to have a general regard to their own existing policies for ESG issues, such as climate change, for investment decisions.

COMMUNICATION IMPLICATIONS

15. There are no communications implications arising from this report

RISK MANAGEMENT CONSIDERATIONS

16. Key risks are managed in accordance with Prudential Code guidance, with emphasis on ensuring Security, Liquidity and Yield for investments.

CONSULTATION

17. Audit Committee will be asked to consider this report at its meeting on 7 December 2022 and it will be reported to Executive on 15 December 2022. It will then be presented to Council on 9 February 2023.

POLICY FRAMEWORK

18. This report is submitted in accordance with the Council's Treasury Management Policy.

Annexes

1. Treasury Management Mid-Year Report 2022/23

Agenda Item 4

BACKGROUND PAPERS
Executive 24 March 2022 – *Treasury Management Strategy 2022/23*

TREASURY MANAGEMENT MID YEAR REPORT
2022/23

1.   Mid-Year Performance

2.   Capital Position (Prudential Indicators)

3.   Investment Portfolio

4.   Borrowing Strategy

5.   Link Treasury Services Commentary

6.   Approved Countries for Investments

1. Mid-Year Performance

Investments

The underlying economic environment continues to remain challenging due to the volatility in the market caused by increased interest rates and inflation. The approach of maintaining short-term investments with high quality counterparties has continued, which allows the Council to be responsive when allocating funding to approved projects.

To manage the associated risks, investments are limited to a small group of banks and some building societies where they meet the Council's Treasury Management Strategy. With rising interest rates, the return on investments should see an increase on prior years.

Borrowing

Borrowing options are monitored in anticipation of the forecast funding requirements of the Capital Programme. The main objective when borrowing is to strike an appropriate risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required.

Strategy Compliance

One matter is highlighted with regard to the approved Treasury Management Strategy Statement for 2022/23:

- Table 14 (Counterparty lists) specifies that non-UK banks must be domiciled in a country which has a minimum sovereign long-term rating of 'AA-';

- This is not consistent with paragraph 4.3 and Appendix 5.5 in the Strategy which stipulates that the Council will only invest in countries which have sovereign ratings of AAA or higher;

- No investments have been made outside of the UK; therefore, this has not resulted in a breach of the Treasury Management Strategy Statement;

- The inconsistency will be addressed in the 2023/24 Strategy.

2. Capital Position (Prudential Indicators)

<u>Prudential Indicator for Capital Expenditure</u>

The table below sets out the latest estimates for capital expenditure and any changes since the Capital Programme original budget was approved earlier this year

Table 1: CAPITAL EXPENDITURE BY SERVICE	2022/23				
	Original Forecast	Prior-Year Approvals Brought Forward	In-Year Movements	Forecast Slippage	Revised Forecast
	£000	£000	£000	£000	£000
People Services	**11,455**	20,765	-	(30,103)	**2,117**
Place Services	**16,742**	10,069	375	7	**27,192**
Organisation Services	**2,086**	6,148	-	-	**8,235**
Forecast Capital Expenditure	30,283	36,982	375	(30,097)	37,544

The primary reason for the forecast slippage is that there are not yet any firm delivery plans for the Housing Delivery programme.

<u>Capital Programme - Financing</u>

Forecast expenditure will be funded through use of Capital Grants and Capital Receipts.

Table 2: CAPITAL EXPENDITURE AND FINANCING	2022/23					
	Capital Programme Budget				Capital Programme Expenditure	
	Original Budget at 01-Apr-22	Prior-Year Approvals Brought Forward (net)	In-Year Movements	Revised Budget at 30-Sep-22	At 30-Sep-22	Forecast at 31-Mar-23
	£000	£000	£000	£000	£000	£000
Capital Expenditure	**30,283**	6,885	375	**37,544**	12,819	37,544
Financed by:						
Capital Grants & Contributions				**2,649**		
Capital Receipts				**34,895**		
Total Financing				**37,544**		
Forecast Borrowing Requirement				-		

Prudential Indicator: Capital Financing Requirement (CFR)

The table below sets out the cumulative CFR, which is the underlying external need to incur borrowing for a capital purpose.

Table 3: COMPARISON OF BORROWING PARAMETERS TO ACTUAL EXTERNAL BORROWING	2022/23 Original estimate	2022/23 Revised Estimate	2023/24 Estimate	2024/25 Estimate
	£000	£000	£000	£000
Opening CFR	62,874	77,556	76,061	78,471
Addition to CFR	6,028	(906)	3,003	3,004
Less MRP	(666)	(589)	(593)	(677)
Closing CFR	68,236	76,061	78,471	80,799
External Borrowing	-	-	-	-
Authorised Limit	79,000	79,000	81,000	83,500
Operational Boundary	69,000	69,000	71,000	73,500

Prudential Indicator – Borrowing Limits

As set out in the table above, the CFR is currently forecast to continue to remain within the Authorised Limit during 2022/23; the Limits for 2023/24 onwards will be reviewed when preparing the Treasury Management Strategy for 2023/24.

3. Investment Portfolio

The table below sets out the net treasury investment position at 30 September 2022 and the projected position at 31 March 2023.

Table 4: INVESTMENT PORTFOLIO – TREASURY INVESTMENTS	Actual		Actual		Forecast	
	31-Mar-22		30-Sep-22		31-Mar-23	
	£000	%	£000	%	£000	%
Banks	8,182	31%	11,573	43%	8,448	41%
Building Societies	-	-	-	-	-	-
Aberdeen Liquidity Fund	4,500	17%	-	-	-	-
BlackRock ICS	4,000	15%	5,000	19%	2,000	10%
LGIM Sterling Liquidity 4	10,000	37%	10,000	38%	10,000	49%
TOTAL TREASURY INVESTMENTS	**26,682**	**100%**	**26,573**	**100%**	**20,448**	**100%**

The table below sets out total investments, including non-treasury investments such as investment in property assets and council-owned companies.

Table 5: INVESTMENT PORTFOLIO – NON-TREASURY INVESTMENTS	Actual		Actual		Forecast	
	31-Mar-22		30-Sep-22		31-Mar-23	
	£000	%	£000	%	£000	%
Third Party Loans:						
Subsidiaries - Greensand Property Holdings Ltd	15,223	25%	15,631	25%	16,036	26%
Companies - Horley Business Park Development LLP	975	2%	1024	2%	1076	2%
Associate - Pathway for Care Ltd	1,100	2%	1,100	2%	1,100	2%
Investment Property[1]	43,372	71%	43,372	71%	43,372	70%
TOTAL NON-TREASURY INVESTMENTS	**60,670**	**100%**	**61,127**	**100%**	**61,584**	**100%**

NOTE1: Investment property is valued by a professional surveyor each year

Values are gross of any impairment for credit loss and include calculated interest receivable to date.

The treasury investment portfolio yield for the first 6 months of the year was 1.22% which equals the selected benchmark, being the 6-month SONIA rate.

Strategy Compliance

There has been one minor breach of counter-party limits during the first six months:
- Lloyds and Bank of Scotland investments

Quarter	Days in period	Days above limit	Average above limit £
One	60	1	168,194
Two	64	-	-

The breach arose due to a timing miscalculation when transferring funds between accounts. Action has been taken to review investment procedures to prevent recurrence.

4. Borrowing Strategy

No external borrowing is anticipated for the foreseeable future based on forecast Capital expenditure and receipts.

5. Link Treasury Services Commentary

The Council's Treasury advisors, Link Treasury Services, provided the following commentary.

Economic update

- *The second quarter of 2022/23 saw:*

  - *GDP revised upwards in Q1 2022/23 to +0.2% q/q from -0.1%, which means the UK economy has avoided recession for the time being;*

  - *Signs of economic activity losing momentum as production fell due to rising energy prices;*

  - *CPI inflation ease to 9.9% y/y in August, having been 9.0% in April, but domestic price pressures showing little sign of abating in the near-term;*

  - *The unemployment rate fall to a 48-year low of 3.6% due to a large shortfall in labour supply;*

  - *Bank Rate rise by 100bps over the quarter, taking Bank Rate to 2.25% with further rises to come;*

  - *Gilt yields surge and sterling fall following the "fiscal event" of the new Prime Minister and Chancellor on 23rd September.*

- *The UK economy grew by 0.2% q/q in Q1 2022/23, though revisions to historic data left it below pre-pandemic levels.*

- *There are signs of higher energy prices creating more persistent downward effects in economic activity. Both industrial production (-0.3% m/m) and construction output (-0.8% m/m) fell in July 2022 for a second month in a row. Although some of this was probably due to the heat wave at the time, manufacturing output fell in some of the most energy intensive sectors (e.g., chemicals), pointing to signs of higher energy prices weighing on production. With the drag on real activity from high inflation having grown in recent months, GDP is at risk of contracting through the autumn and winter months.*

- *The fall in the composite PMI from 49.6 in August to a 20-month low preliminary reading of 48.4 in September points to a fall in GDP of around 0.2% q/q in Q3 and consumer confidence is at a record low. Retail sales volumes fell by 1.6% m/m in August, which was the ninth fall in 10 months. That left sales volumes in August just 0.5% above their pre-Covid level and 3.3%*

below their level at the start of the year. There are also signs that households are spending their excess savings in response to high prices. Indeed, cash in households' bank accounts rose by £3.2bn in August, which was below the £3.9bn rise in July and much smaller than the 2019 average monthly rate of £4.6bn.

- *The labour market remained exceptionally tight. Data for July and August provided further evidence that the weaker economy is leading to a cooling in labour demand. Labour Force Survey (LFS) employment rose by 40,000 in the three months to July (the smallest rise since February). But a renewed rise in inactivity of 154,000 over the same period meant that the unemployment rate fell from 3.8% in June to a new 48-year low of 3.6%. The single-month data showed that inactivity rose by 354,000 in July itself and there are now 904,000 more inactive people aged 16+ compared to before the pandemic in February 2020. The number of vacancies has started to level off from recent record highs but there have been few signs of a slowing in the upward momentum on wage growth. Indeed, in July, the 3my/y rate of average earnings growth rose from 5.2% in June to 5.5%.*

- *CPI inflation eased from 10.1% in July to 9.9% in August, though inflation has not peaked yet. The easing in August was mainly due to a decline in fuel prices reducing fuel inflation from 43.7% to 32.1%. And with the oil price now just below $90pb, we would expect to see fuel prices fall further in the coming months.*

- *However, utility price inflation is expected to add 0.7% to CPI inflation in October when the Ofgem unit price cap increases to, typically, £2,500 per household (prior to any benefit payments). But, as the government has frozen utility prices at that level for two years, energy price inflation will fall sharply after October and have a big downward influence on CPI inflation.*

- *Nonetheless, the rise in services CPI inflation from 5.7% y/y in July to a 30-year high of 5.9% y/y in August suggests that domestic price pressures are showing little sign of abating. A lot of that is being driven by the tight labour market and strong wage growth. CPI inflation is expected to peak close to 10.4% in November and, with the supply of workers set to remain unusually low, the tight labour market will keep underlying inflationary pressures strong until early next year.*

- *During H1 2022, there has been a change of both Prime Minister and Chancellor. The new team (Liz Truss and Kwasi Kwarteng) have made a step change in government policy. The government's huge fiscal loosening from its proposed significant tax cuts will add to existing domestic inflationary pressures and will potentially leave a legacy of higher interest rates and public debt. Whilst the government's utility price freeze, which could cost up to £150bn (5.7% of GDP) over 2 years, will reduce peak inflation from 14.5% in January next year to 10.4% in November this year, the long list of tax measures announced at the "fiscal event" adds up to a loosening in fiscal policy relative to the previous government's plans of £44.8bn (1.8% of GDP) by 2026/27. These included the reversal of April's national insurance tax on 6th November, the cut in the basic rate of income tax from 20p to 19p in April 2023, the cancellation of next April's corporation tax rise, the cut to stamp duty and the removal of the 45p tax rate, although the 45p tax rate cut announcement has already been reversed.*

- *Fears that the government has no fiscal anchor on the back of these announcements has meant that the pound has weakened again, adding further upward pressure to interest rates. Whilst the pound fell to a record low of $1.035 on the Monday following the government's "fiscal event", it has since recovered to around $1.12. That is due to hopes that the Bank of England will deliver a very big rise in interest rates at the policy meeting on 3rd November and the government will lay out a credible medium-term plan in the near term. This was originally expected as part of the fiscal statement on 23rd November but has subsequently been moved forward to an expected release date in October. Nevertheless, with concerns over a global recession growing, there are downside risks to the pound.*

- *The MPC has now increased interest rates seven times in as many meetings in 2022 and has raised rates to their highest level since the Global Financial Crisis. Even so, coming after the Fed and ECB raised rates by 75 basis points (bps) in their most recent meetings, the Bank of England's latest 50 basis points hike looks relatively dovish. However, the UK's status as a large importer of commodities, which have jumped in price, means that households in the UK are now facing a much larger squeeze on their real incomes.*

- *Since the fiscal event on 23rd September, we now expect the Monetary Policy Committee (MPC) to increase interest rates further and faster, from 2.25% currently to a peak of 5.00% in February 2023. The combination of the government's fiscal loosening, the tight labour market and sticky inflation expectations means we expect the MPC to raise interest rates by 100bps at the policy meetings in November (to 3.25%) and 75 basis points in December (to 4%) followed by further 50 basis point hikes in February and March (to 5.00%). Market expectations for what the MPC will do are volatile. If Bank Rate climbs to these levels the housing market looks very vulnerable, which is one reason why the peak in our forecast is lower than the peak of 5.50% - 5.75% priced into the financial markets at present.*

- *Throughout 2022/23, gilt yields have been on an upward trend. They were initially caught up in the global surge in bond yields triggered by the surprisingly strong rise in CPI inflation in the US in May. The rises in two-year gilt yields (to a peak of 2.37% on 21st June) and 10-year yields (to a peak of 2.62%) took them to their highest level since 2008 and 2014 respectively. However, the upward trend was exceptionally sharply at the end of September as investors demanded a higher risk premium and expected faster and higher interest rate rises to offset the government's extraordinary fiscal stimulus plans. The 30-year gilt yield rose from 3.60% to 5.10% following the "fiscal event", which threatened financial stability by forcing pension funds to sell assets into a falling market to meet cash collateral requirements. In response, the Bank did two things. First, it postponed its plans to start selling some of its quantitative easing (QE) gilt holdings until 31st October. Second, it committed to buy up to £65bn of long-term gilts to "restore orderly market conditions" until 14th October. In other words, the Bank is restarting QE, although for financial stability reasons rather than monetary policy reasons.*

- *Since the Bank's announcement on 28th September, the 30-year gilt yield has fallen back from 5.10% to 3.83%. The 2-year gilt yield dropped from 4.70% to 4.30% and the 10-year yield fell back from 4.55% to 4.09%.*

- *There is a possibility that the Bank continues with QE at the long-end beyond 14th October or it decides to delay quantitative tightening beyond 31st October, even as it raises interest rates. So far at least, investors seem to have taken the Bank at its word that this is not a change in the direction of monetary policy nor a step towards monetary financing of the government's deficit. But instead, that it is a temporary intervention with financial stability in mind.*

- *After a shaky start to the year, the S&P 500 and FTSE 100 climbed in the first half of Q2 2022/23 before falling to their lowest levels since November 2020 and July 2021 respectively. The S&P 500 is 7.2% below its level at the start of the quarter, whilst the FTSE 100 is 5.2% below it as the fall in the pound has boosted the value of overseas earnings in the index. The decline has, in part, been driven by the rise in global real yields and the resulting downward pressure on equity valuations as well as concerns over economic growth leading to a deterioration in investor risk appetite.*

Interest rate forecasts

- *The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.*

- *The latest forecast on 27th September sets out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy, whilst the government is providing a package of fiscal loosening to try and protect households and businesses from the ravages of ultra-high wholesale gas and electricity prices.*

- *The increase in PWLB rates reflects a broad sell-off in sovereign bonds internationally but more so the disaffection investors have with the position of the UK public finances after September's "fiscal event". To that end, the MPC has tightened short-term interest rates with a view to trying to slow the economy sufficiently to keep the secondary effects of inflation – as measured by wage rises – under control, but its job is that much harder now.*

- *Our PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps, calculated as gilts plus 80bps) which has been accessible to most authorities since 1st November 2012.*

Link Group Interest Rate View 27.09.22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
BANK RATE	4.00	5.00	5.00	5.00	4.50	4.00	3.75	3.25	3.00	2.75	2.75	2.50
3 month ave earnings	4.50	5.00	5.00	5.00	4.50	4.00	3.80	3.30	3.00	2.80	2.80	2.50
6 month ave earnings	4.70	5.20	5.10	5.00	4.60	4.10	3.90	3.40	3.10	3.00	2.90	2.60
12 month ave earnings	5.30	5.30	5.20	5.00	4.70	4.20	4.00	3.50	3.20	3.10	3.00	2.70
5 yr PWLB	5.00	4.90	4.70	4.50	4.20	3.90	3.70	3.50	3.40	3.30	3.20	3.20
10 yr PWLB	4.90	4.70	4.60	4.30	4.10	3.80	3.60	3.50	3.40	3.30	3.20	3.20
25 yr PWLB	5.10	4.90	4.80	4.50	4.30	4.10	3.90	3.70	3.60	3.60	3.50	3.40
50 yr PWLB	4.80	4.60	4.50	4.20	4.00	3.80	3.60	3.40	3.30	3.30	3.20	3.10

November 2022

6. Approved Countries for Investments

This list is based on those countries which have sovereign ratings of AAA or higher (lowest rating from Fitch, Moody's and S&P have banks operating in sterling markets which have credit ratings of 'green or above' in the Link Treasury Services credit worthiness service. Based on lowest available rating.

AAA
1. Australia
2. Denmark
3. Germany
4. Luxembourg
5. Netherlands
6. Norway
7. Singapore
8. Sweden
9. Switzerland

Source: Link Treasury Services
30 September 2022

Signed off by	Interim Head of Finance
Author	Luke Harvey, Project & Performance Team Leader
Telephone	Tel: 01737 276519
Email	Luke.Harvey@reigate-banstead.gov.uk
To	Audit Committee
Date	Tuesday, 6 December 2022

Key Decision Required	N
Wards Affected	(All Wards);

Subject	Internal audit - Q2 2022/23 progress report

Recommendations
(i)   **That the Audit Committee note the Q2 2022/23 internal audit progress report available at annex 1; and,**   (ii)   **That Audit Committee make any comments and/or observations on the report to the Chief Finance Officer.**
Reasons for Recommendations
In accordance with its constitutional responsibilities and the Council's Internal Audit Charter, the Audit Committee is required to receive regular updates on the progress of internal audit plan delivery.
Executive Summary
This report provides an update on the delivery of the 2022/23 internal audit plan at the end of Q2. The report also provides an update on audits from the 2021/22 audit plan that have now concluded.
The Committee has the authority to approve the above recommendations

Statutory Powers
1.   The requirement of an internal audit function in local government is detailed within the Accounts and Audit (England) regulations (2015), which state that authorities must: 'undertake an effective internal audit to evaluate the effectiveness of [their] risk

management, control and governance processes, taking into account public sector internal auditing standards or guidance'.

2. These standards are defined in the Public Sector Internal Audit Standards (PSIAS). The standards were last updated in 2017.

3. Under Section 151 of the Local Government Act (1972), the Council's Chief Finance Officer holds the statutory responsibility for the overall financial administration of the Council's affairs and is therefore responsible for maintaining an adequate and effective internal audit function.

Background

4. A professional, independent and objective internal audit service is a key element of ensuring good corporate governance.

5. The PSIAS defines internal audit as an 'independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.

6. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and are operating effectively.

7. The Council's response to internal audit activity should lead to the strengthening of the control environment and contribute to the achievement of the organisation's objectives.

8. The Audit Committee endorsed the 2022/23 internal audit plan in March 2022. The plan details the audit activity that takes place during the year.

9. The audit plan is risk based and determines the priorities of internal audit activity. The plan is kept under close review to ensure that it continues to be relevant to the Council's risk profile and to ensure an appropriate level of audit coverage throughout the year.

10. Under the Council's Constitution and Internal Audit Charter the Audit Committee is responsible for reviewing internal audit progress reports and monitoring delivery of the annual audit plan.

11. The attached progress report: • Summarises the status of 'live' audit reports (an audit is considered to be 'live' if there are outstanding management actions);

- Provides an update on the delivery of the annual audit plan;

- Summarises internal audit performance, including assurance opinions given; and,

- Summarises any adjustments made to the audit plan.

Key Information

Assurance opinions

12. Internal audit reviews result in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service under review.

13. SIAP's assurance opinions are categorised as follows:

Opinion	Description
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Q2 2022/23 progress update

14. Section 3 of the progress report available at annex 1 details the overall progress in delivering the 2022/23 internal audit plan. Section 7 provides an overview of the work programme for the year.

15. Section 5 of the report also provides a summary of any key observations arising from reviews that conclude with a 'limited' or 'no' assurance opinion. No reviews have concluded in Q2 with limited or no assurance.

16. Full copies of internal audit reports are made available to all members via the ModGov document library.

17. At the end of Q2 the following reviews have concluded:

Review	Opinion
Decision making and accountability	Reasonable
Business continuity	Reasonable

Amendments to the 2022/23 audit plan

18. Since the Q1 progress report was considered by the Committee, no further amendments have been made to the internal audit plan.

2021/22 audit plan update

19. The Q1 2022/23 progress report to the Committee noted that the parking and enforcement t audit from the 2021/22 audit plan was yet to conclude. The audit has now concluded, receiving a reasonable assurance opinion.

Management actions

20. Internal audit's role is to identify potential weaknesses in systems, controls and procedures that may expose the authority to risk. Whilst internal audit highlights these weaknesses, it is the responsibility of management to propose, design and implement actions that address these and, in so doing, control and mitigate risk.

21. Heads of Service are responsible for commissioning and acting on internal audit reviews in their service areas and, as senior officers and members of the management team of the Council, are ultimately responsible for overseeing the implementation of management actions. In so doing, they are able to amend the dates of implementing actions in response, for instance, to competing priorities.

22. The respective priority for individual actions (High, Medium or Low) is assigned by management in consultation with SIAP.

23. In accordance with the Council's Constitution and internal audit Charter, the Committee is required to focus on matters of significance arising from internal audit reviews.

24. As such, SIAP's report – and the part 2 exempt annex – provides detail on overdue high priority management actions, as well as the latest management update. For context, an overview of the number of overdue low and medium priority actions and their revised implementation dates is also provided. Service management are continuing to work in a risk-based way to implement the agreed management actions.

Options

25. The Committee has two options:

26. Option 1: note the report and make any observations on its contents to the Council's Chief Finance Officer.

27. Option 2: note the report and make no observations to the Council's Chief Finance Officer.

Legal Implications

28. There are no legal implications arising from this report.

Financial Implications

29. There are no financial implications arising from this report.

Equalities Implications
30. There are no equalities implications arising from this report.
Communication Implications
31. There are no communication implications arising from this report.
Environmental Sustainability Implications
32. There are no environmental sustainability implications arising from this report.
Risk Management Considerations
33. An effective internal audit function is an important part of effectively managing risk. 34. The Council's strategic and operational risk registers were utilised in the development of the annual internal audit plan. 35. There are no other risk management implications.
Other Implications
36. There are no other implications arising from this report.
Consultation
37. This report has been considered by the Council's Corporate Governance Group as part of its governance role.
Policy Framework
38. Internal audit makes a significant contribution to ensuring the adequacy and effectiveness of internal control throughout the Council, which covers all Corporate Plan priority areas.
Background Powers
None.

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Southern Internal Audit Partnership

Assurance through excellence
and innovation

REIGATE AND BANSTEAD BOROUGH COUNCIL

Internal Audit Progress Report – 2022/23 (Q2)

Prepared by: **Natalie Jerams, Deputy Head of Partnership**

November 2022

Contents

1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

> *'Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'*

The standards for 'proper practices' are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

> *'Independent, objective assurance and consulting activity designed to add value and improve an organisations' operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.*

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations' objectives.

2. Purpose of report

In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to 'Senior Management' and 'the Board', summarising:
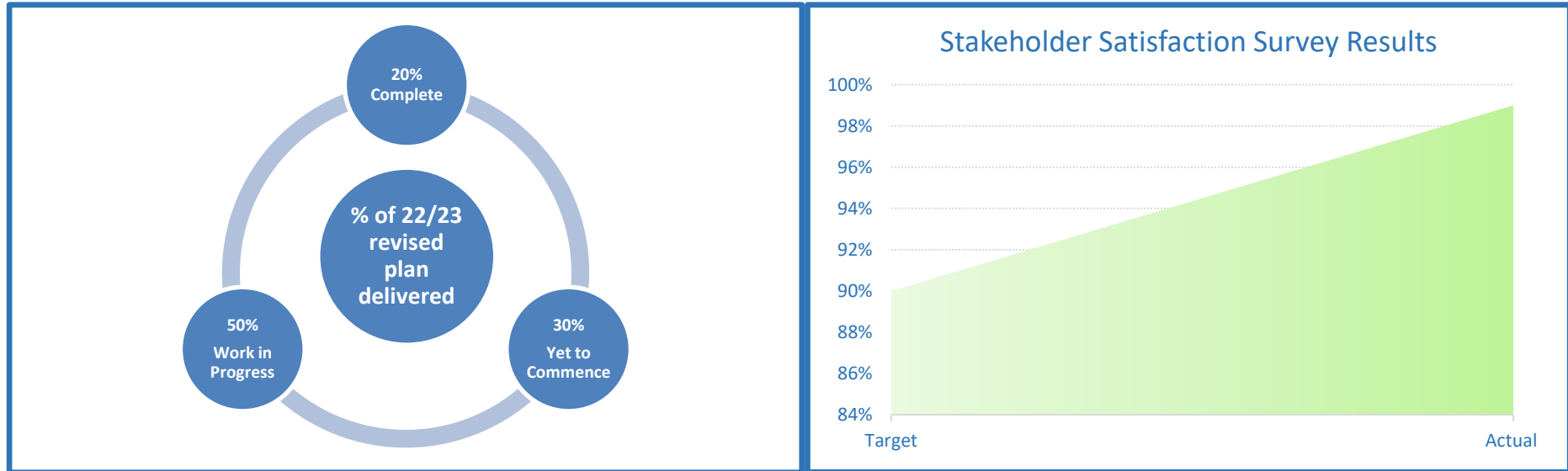
- The status of 'live' internal audit reports;

- an update on progress against the annual audit plan;

- a summary of internal audit performance, planning and resourcing issues; and

- a summary of significant issues that impact on the Chief Internal Auditor's annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. The assurance opinions are categorised as follows:

Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

* Some reports listed within this progress report (pre 2020-21 audit plan) refer to categorisations
used by SIAP prior to adoption of the CIPFA standard definitions, reference is provided at Annex 3

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3. Performance dashboard

20%
Complete

% of 22/23 revised plan delivered

50%
Work in Progress

30%
Yet to Commence

Stakeholder Satisfaction Survey Results

100%
98%
96%
94%
92%
90%
88%
86%
84%

Target   Actual

Compliance with Public Sector Internal Audit Standards

An External Quality Assessment of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. The report concluded:

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

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4. Analysis of 'Live' audit reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Actions*	Not Yet Due	Complete	Overdue		
							L	M	H
Council Tax	05.02.20	HofRB&F	Adequate	6(2)	0(0)	5(2)		1	
Risk Management	03.02.21	HofCPP&P	Reasonable	3(0)	2(0)	1(0)			
Fleet Management	06.04.21	HofNO	Limited	16(3)	0(0)	15(3)		1	
Procurement	05.05.21	CFO	Limited	8(0)	0(0)	1(0)		7	
IT Disaster Recovery	27.05.21	HofIT	Limited	8(6)	0(0)	4(2)			4
Information Governance	06.12.21	HofIT	Reasonable	3(0)	0(0)	2(0)		1	
IT Virtualisation	16.02.22	HofIT	Reasonable	5(1)	0(0)	2(1)		3	
HR – Absence Management	17.05.22	HofOD	Substantial	2(0)	1(0)	1(0)			
Contract Management	18.08.22	SHofL&G	Limited	4(0)	3(0)	1(0)			
Business Continuity	08.09.22	HofNO	Reasonable	4(0)	4(0)	0(0)			
Decision Making & Accountability	12.10.22	SHofL&G	Reasonable	2(0)	1(0)	1(0)			
Total				**61(12)**	**11(0)**	**33(8)**	**0**	**13**	**4**

*Total number of actions (total number of high priority actions)

5. Executive Summaries of reports published concluding a 'Limited' or 'No' assurance opinion

There have been no new final reports published concluding a "Limited" or "No" assurance opinion since the last progress report in September 2022.

6. Planning & Resourcing

The internal audit plan for 2022-23 was presented to Corporate Governance Group and the Audit Committee in March 2022.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 7.

7. Rolling Work Programme 2021/22

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
2021/22 Reviews								
Contract Management	SHofL&G	✓	✓	✓	✓	✓	**Limited**	
Parking & Enforcement	HofNO	✓	✓	✓	✓	✓	**Reasonable**	
2022/23 Reviews								
Corporate								
Savings Realisation	CFO							Q4
Payment Card Industry Data Security Standard	CFO							Q4
Governance								
Decision Making & Accountability	SHofL&G	✓	✓	✓	✓	✓	**Reasonable**	
Human Resources & Organisational Development	HofOD							Q4
Commissioning & Procurement	SHofL&G							Q4
Health & Safety	HofNO	✓	✓	✓				

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Business Continuity	HofNO	✓	✓	✓	✓	✓	**Reasonable**	
IT								
Cyber Security - Managed Security Service Platform	HofIT							Q4
IT Database Management	HofIT	✓	✓	✓				
IT Follow Up	HofIT	✓	✓					
Core Financial Reviews								
Council Tax	HofRB&F	✓	✓	✓				
Income Collection	CFO	✓	✓	✓				Close of audit held. Report pending.
NNDR	HofRB&F	✓	✓					
People								
Housing (including Affordable Housing)	HofH	✓						
Place								
Parks & Countryside	HofNO							Q4
Economic Prosperity	HofEP	✓	✓	✓	✓			
Environmental Sustainability	HofCPP&P	✓	✓					
Fleet Management – Follow Up	HofNO	✓						
Other (Non-Assurance Work)								
Test And Trace Contain Outbreak Management Fund (COMF)	CFO	✓	n/a	✓	n/a	✓	**n/a**	Grant certification
Test and Trace Support Payment Scheme Funding (TTSP)	CFO	✓	n/a	✓	n/a	✓	**n/a**	Grant certification

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Audit Sponsors			
HofCPP&P	Head of Corporate Policy, Projects & Performance	HofL&I	Head of Leisure and Intervention
HofOD	Head of Organisational Development & HR	HofCP	Head of Community Partnerships
HofIT	Head of IT	HofCCCD&I	Head of Communications, Customer Contact, Data & Insight
SHofL&G	Strategic Head of Legal and Governance	HofP	Head of Planning
CFO	Chief Finance Officer (S151 Officer)	HofPD	Head of Place Delivery
HofH	Head of Housing	HofEP	Head of Economic Prosperity
HofRB&F	Head of Revenues, Benefits and Fraud	HofNO	Head of Neighbourhood Operations

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8. Adjustments to the Internal Audit Plan

There have been the following amendments to the plan:

Plan Variations for 2021/22	
Added to the plan	**Reason**
Test And Trace Contain Outbreak Management Fund (COMF)	The grant conditions required an internal audit review and sign off by the Chief Internal Auditor. Please see below for the adjustment made to the plan to accommodate this review.
Test and Trace Support Payment Scheme Funding (TTSP)	The grant conditions required an internal audit review and sign off by the Chief Internal Auditor. Please see below for the adjustment made to the plan to accommodate this review.
Removed from the plan	**Reason**
Corporate Plan	Deferred to 2023/24 to accommodate the reviews of the COMF and TTSP grants.

Overdue 'High Priority' Management Actions

IT Disaster Recovery – Limited Assurance			
Observation: Please see separate report.			

Management Action	Original Due Date	Revised Due Date	Latest Service Update
Please see separate report.			

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Overdue 'Low & Medium Priority' Management Actions

Audit Review	Report Date	Opinion	Priority	Due Date	Revised Due Date
Council Tax	05.02.2020	Adequate	Medium	01.04.2020	31.03.2023
Fleet Management	06.04.2021	Limited	Medium	31.12.2021	01.06.2023
Procurement	05.05.2021	Limited	Medium	31.12.2021	30.06.2023
			Medium	31.12.2021	30.06.2023
			Medium	31.12.2021	30.06.2023
			Medium	31.12.2021	30.06.2023
			Medium	31.12.2021	30.06.2023
			Medium	31.12.2021	30.06.2023
			Medium	31.12.2021	30.06.2023
Information Governance	06.12.2021	Reasonable	Medium	30.09.2022	30.06.2023
IT Virtualisation	16.02.2022	Reasonable	Medium	31.05.2022	30.11.2022
			Medium	31.05.2022	09.12.2022
			Medium	31.08.2022	31.03.2023

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Reigate & Banstead Borough Council Assurance Opinions (Pre 2020-21)

Substantial   A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified.

Adequate   Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified.

Limited   Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk.

No   Fundamental weakness identified in the framework of internal control or the framework is ineffective or absent with significant risks to the achievement of system objectives.

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Signed off by	Head of Corporate Policy, Projects and Performance
Author	Luke Harvey, Project & Performance Team Leader
	Ross Tanner, Performance Officer
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Email	Luke.Harvey@reigate-banstead.gov.uk
	Ross.Tanner@reigate-banstead.gov.uk
To	Audit Committee
Date	Wednesday, 7 December 2022
Executive Member	Portfolio Holder for Corporate Policy and Resources

Key Decision Required	N
Wards Affected	(All Wards);

Subject	Risk management - Q2 2022/23

Recommendations
That the Audit Committee:
(i)   **Note the Q2 2022/23 update on risk management provided by the report and make any observations to the Executive.**
That the Executive:
(i)   **Note the Q2 2022/23 update on risk management provided by the report.**
Reasons for Recommendations
The Audit Committee and Executive's constitutional responsibilities require the regular receipt of updates on risk management.
Executive Summary
This report provides an update on risk management in Q2 2022/23.

Statutory Powers

1. The Council holds various statutory responsibilities for ensuring that its business is conducted in accordance with the law and that public money is safeguarded, accounted for, and is used economically and effectively.

2. The Council also has a duty under the Local Government Act (1999) to put in place proper arrangements for the governance of its affairs. The discharge of this responsibility includes arrangements for managing risk.

3. The Council's Code of Corporate Governance outlines these core governance principles; compliance with the code is reported each year via the Annual Governance Statement.

Background

4. Reigate and Banstead Borough Council has a proactive approach to risk management. It is an integral part of the Council's corporate governance arrangements and is built into management processes.

5. The Council operates a two-tiered risk management process to address the dynamic and interdependent nature of risk categorisation. The risk categories are strategic and operational risks.

6. Strategic risks are defined as those risks that have an impact on the medium to long term ambitions and priorities of the Council as set out in the Corporate Plan and Medium-Term Financial Plan (MTFP).

7. Members of the Management Team and Executive Members have shared responsibility for strategic risks. Strategic risks are reported quarterly to senior officers via Corporate Governance Group, as well as to the Audit Committee and Executive. The Executive approves key changes to the strategic risk register, such as the identification of new risks as well as closing risks.

8. Operational risks are short term risks that are encountered in the course of the day-to-day delivery by services. However, if the operational risk cannot be fully managed within the service or it has a wider organisational impact, then it will be considered for inclusion in the operational risk register. Heads of Service have responsibility for operational risks. Operational risks are reported to senior officers via Corporate Governance Group. The Audit Committee and Executive receive updates on any red rated operational risks as part of quarterly risk management reporting.

9. The Audit Committee has a constitutional responsibility to provide independent assurance to the Council of the adequacy of the risk management framework and internal control environment. It provides independent review of Reigate and Banstead Borough Council's governance, risk management and control frameworks. A key component of fulfilling this responsibility is to regularly receive and review the Council's risks and make any observations to the Executive.

Key Information

Q2 2022/23 risk management update

10. The full strategic risk register is available at annex 1 of this report.

11. In Q2 no new strategic risks were identified and no strategic risks were identified for closure.

Red rated operational risk

12. In Q2 there was one red rated operational risk, the detail of which is set out in the part 2 exempt annex 2.

13. The full risk registers, as well as the Council's risk management strategy, are made available to all members through the ModernGov document library.

Options

14. The Audit Committee has one option:

- Option 1: note this report and make any observations to the Executive.

15. The Executive has one option:

- Option 1: note this report and make any observations to the Head of Corporate Policy, Projects and Performance.

Legal Implications

16. Any legal implications of risks are addressed as required and as part of their control and mitigation.

17. There are no other legal implications arising from this report.

Financial Implications

18. Financial risks are taken into account when preparing the Medium-Term Financial Plan, Capital Investment Strategy, Revenue Budget and Capital Programme each year.

Equalities Implications

19. There are no equality implications arising from this report

Communication Implications

20. There are no communications implications arising from this report.

Environmental Sustainability Implications

21. There are no environmental sustainability implications arising from this report.

Risk Management Considerations

22. The Council's risk registers inform the development of the annual risk based internal audit plan, progress against which is reported separately to the Audit Committee.

23. The Council's approach to managing risk is a core component of the Code of Corporate Governance.

Other Implications
24. There are no other implications arising from this report.
Consultation
25. The contents of this report have been considered by the Council's Corporate Governance Group.
Policy Framework
26. The Council's risk management strategy and methodology provides additional information on how the council manages risk.
Background Powers
RBBC Risk Management Strategy: https://www.reigate-banstead.gov.uk/info/20090/council_policy/929/risk_management

Risk management

Strategic risk register

Quarter 2 – July to September 2022

Strategic Risks

Strategic risks are defined as those risks that have an impact on the medium to long term ambitions and priorities of the Council as set out in the Corporate Plan and the Medium-Term Financial Strategy. The Management Team has shared responsibility for strategic risks.

The Council's strategic risks are detailed in below table:

SR1	**Coronavirus pandemic**
SR2	**Financial sustainability**
SR3	**Commercial investment**
SR4	**Challenging economic conditions for residents and businesses**
SR5	**Organisational capacity and culture**
SR6	**Cost pressures affecting the viability of Council developments**
SR7	**Local government reorganisation, devolution and Levelling Up**
SR8	**ICT network capacity and resilience**
SR9	**Fraud**
SR10	**Gatwick Airport**
SR11	**Planning system reform**
SR12	**Climate change impact**

Risk rating

Each risk is scored using the potential impact of the risk and the likelihood of the risk happening. The risk score then determines the level of management action required:

RED	Where management should focus attention. Immediate actions should be identified, and plans put in place to reduce risk as a priority.
AMBER	Where management should ensure that contingency plans are in place. These may require immediate action and will require monitoring for any changes in the risk or controls. These will be a key area of assurance focus
YELLOW	These should have basic mechanisms in place as part of the normal course of management.
GREEN	Where risk is minimal if does not demand specific attention but should be kept under review.

Risk status

Tolerate	Decide to accept the risk and take no further measures. This should be a conscious and deliberate decision taken having decided that it is more cost effective to do so than attempt mitigating action.
Transfer	Transfer all or part of the risk. For example, to insurance or to other agencies/contractors.
Treat	Proactive action taken to reduce: • The probability of the risk happening by Introducing control measures • The impact of the risk should it occur.
Close	This could involve changing an aspect of the activity or ceasing to provide the service/function/project and thus eliminate the risk.

RISK RATINGS

IMPACT		1	2	3	4	5
Grave	5					
Significant	4		SR8	SR5 SR6 SR7	SR2 SR4	
Moderate	3		SR3	SR10 SR11	SR9 SR12	
Minor	2		SR1			
Almost none	1					
LIKELIHOOD		Rare	Unlikely	Possible	More than likely	Almost certain

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SR1	Coronavirus pandemic	GREEN

Description	The Council will continue to respond to the Covid-19 pandemic in supporting residents, businesses as well as partner voluntary and public sector organisations. However, the effects of, and the ongoing response to, the pandemic could result in significant disruption to the delivery of services and the wider achievement of corporate objectives.

Owner	**Portfolio Holder**	Cllr Brunt
	Officers	Mari Roberts-Wood and Luci Mould

Controls	Ongoing planning for disruption caused by the pandemic, including maintaining organisational preparedness via emergency and business continuity planning as well as robust risk assessments.
	The resumption of Covid-19 command and control processes and procedures if required.
	Liaison and engagement with partners and the Surrey Local Resilience Forum.

Mitigating actions/progress	Operating within the confines of, and responding to, Covid-19 has now become part of 'business as usual' for the Council, with disruption being proactively planned for. The impact of Covid-19 on the Council continues to decline, though the risk will continue to be monitored, particularly in the autumn and winter period. Assuming that the impacts of Covid-19 continue to be low, it is expected that this risk will be closed later in 2022/23.
	The process to review the Council's emergency pandemic plan began in Q2. It will address the learning from the Covid-19 pandemic and will also incorporate the current national planning assumptions.
	The Council's offices have now fully reopened to staff with Covid-19 control measures in place to mitigate against workplace transmission, safeguarding staff health and business continuity.

Score	Likelihood	Unlikely	Direction of travel	-
	Impact	Minor		

Status	Treat

Last update	9 November 2022

SR2	Financial sustainability	RED
Description	The effects of the Covid-19 pandemic, coupled with current adverse macroeconomic conditions and the wider local government funding context, have created conditions of unprecedented financial uncertainty and challenge for the Council. The Council is therefore increasingly reliant on generating additional income and identifying savings and efficiencies from existing budgets. If not mitigated, these financial challenges risk an adverse impact on the Council's ability to deliver its Corporate Plan objectives.	
Owner	**Portfolio Holder**	Cllr Schofield
	Officers	Pat Main
Controls	The Council will continue to ensure that strong financial management arrangements are in place and will continue investment in skills and expertise to support the delivery of the Council's financial and commercial objectives while managing risks. The Medium-Term Financial Plan (MTFP) sets out the forecast budget challenges over the coming five years and forms the basis for service and financial planning, while the Capital Investment Strategy provides an overview of how capital expenditure, capital financing and treasury management activity contributes to the provision of Council services and how associated risk is managed. The budget pressures identified by the MTFP will be addressed by the Council's Financial Sustainability Programme. The Commercial Strategy sets out the commercial activity the Council will consider, provide a framework on option evaluation, and provide the basis on which commercial decision making will be made. The Annual Revenue Budget sets out funding allocations for the current year and confirms officer accountability for ensuring that expenditure and income are managed within limits approved by Members. In year budget monitoring reports confirm compliance with these limits and report any action required to manage budget variances. The Treasury Management Strategy helps ensure that investments achieve target returns within approved security and liquidity limits and that borrowing to fund the Capital Programme is affordable. Internal audit will be utilised to review the approach taken to secure financial sustainability.	
Mitigating actions/progress	In addressing its significant financial challenges, the Council has established a Financial Sustainability Programme. This programme will take the form of a series of ambitious initiatives that reduce costs and/or increase income, enabling the Council to set a balanced budget reducing need to draw on reserves. Key to this will be looking at delivering services differently to realise savings and/or increase income, as well as embedding lasting cultural change across the organisation. The programme is premised on the following: 1. **Projects –** new ideas and opportunities for generating income and/or making savings. 2. **Service and financial planning (2023/24 onwards) –** for all budget areas, reviewing the services delivered and the associated budgetary requirements. Ensuring that there is a clear justification for all services	

SR2	Financial sustainability	RED

delivered and that budgets are set accordingly. Opportunities for delivering services in a different way to unlock savings will also be explored.

3. **Fees and charges –** carrying out a fundamental review to ensure the full application of the fees and charges policy across the Council.

Updates to the programme will be reported to the Overview and Scrutiny Committee and Executive.

An updated MTFP was reported to the Overview and Scrutiny Committee and Executive in July 2022 (agenda available here). This update confirmed that the risk of increasing costs, driven by inflationary pressures in the wider economy and disruption of the global supply chain, presents an increasing challenge to the Council's financial sustainability.

This is especially notable for the goods and services that the Council relies on to maintain service delivery. The Council continues to ensure the most financially advantageous/sustainable option is selected when procuring goods and services and, wherever possible, the Council will ensure that increased costs are reflected in the fees and charges levied or compensating budget savings will be sought. Energy costs have also escalated following the most recent contract renewals and the extent of Government financial support to offset the impacts is currently uncertain.

Score	Likelihood	More than likely	Direction of travel	-
	Impact	Significant		

Status	Treat

Last update	14 October 2022

SR3	Commercial investment	AMBER

Description	The generation of income from commercial investment is a contributor to the Council's financial sustainability. Following several high-profile commercial investment failures by local authorities, the ability to invest for a commercial purpose is being further restricted by changes in legislation, regulations, and codes of practice.
	Moreover, investing for commercial purposes – either in assets or in trading services – is not without risk due to market fluctuations and factors outside of the Council's control.
	The risks associated with commercial investment range from the non-achievement of budgeted income to significant capital and revenue losses, as well as governance, legal and reputational issues.

Owner	**Portfolio Holder**	Cllrs Archer and Schofield
	Officers	Mari Roberts-Wood and Pat Main

Controls	Effective governance arrangements for investment decision making.
	Commercial opportunities will be considered on a case-by-case basis with up-to-date market intelligence used to inform decisions.
	Investments will be predicated on robust, stress-tested business cases and financial assessments which consider risks and benefits. Benefits will be monitored via established governance and reporting processes.
	Independent valuations will be commissioned as part of the decision-making process.
	Evidence of compliance with relevant Government and CIPFA guidance will be confirmed when business cases are approved.
	Exit strategy options will be considered at the time of decision-making.
	Commercial projects will be overseen by the Commercial Ventures Executive Sub-Committee.

Mitigating actions/progress	The Council has now adopted parts 1 and 2 of the commercial strategy which sets the agreed parameters for commercial activity, including an action plan which will be reported on annually.

Score	**Likelihood**	Unlikely	**Direction of travel**	-
	Impact	Moderate		

Status	Treat

Last update	14 October 2022

SR4	Challenging economic conditions for residents and businesses	RED
Description	A prosperous economy is essential for the wellbeing of the borough, creating employment and wealth that benefits local people and businesses. The Covid-19 pandemic has resulted in significant negative impacts upon the economy – including on sectors particularly impacted by restrictions – the effects of these will continue to be felt for some time. Prevailing economic conditions have a direct impact on the Council's financial position and likewise impacts upon the demand for Council services, particularly in terms of income derived from fees and charges and the collection of monies owed. Challenging financial circumstances for residents may also increase their reliance on Council services which could result in cost pressures on the Council. The risk of the latter is exacerbated by household budgets being stretched by current high levels of inflation and rising consumer prices.	
Owner	**Portfolio Holder**	Cllrs Humphreys, Neame and Ashford
	Officers	Mari Roberts-Wood, Pat Main, Duane Kirkland, Richard Robinson, Simon Bland, and Justine Chatfield
Controls	The UK and Global Economies are outside of the control and influence of the council. However, the Council is able to provide support to residents and businesses; both via direct service delivery and also through the disbursement of grants and other sources of funding. The Council's Business Engagement Team provides a range of advice, support, and networking opportunities for local business, allowing the Council to receive feedback on general economic performance and conditions. Early and regular engagement by the Community Development and Intervention teams to support residents. The operation of Council owned and operated emergency accommodation to reduce spend on temporary emergency accommodation. Applying for government grants to fund additional support services. Joint working and close collaboration with partners.	
Mitigating actions/progress	Consumer price inflation has risen significantly across the world, including the UK where the consumer price index is forecast by the Bank of England's Monetary Policy Committee to reach 13% in 2022/23. Consumer prices are rising due to sharp increases in global energy and commodity prices as well as tradable goods prices, the latter due to global supply chain disruption and bottlenecks. The UK economy is forecast to enter a recession in the winter of 2022. The economic environment for residents and businesses is therefore inherently uncertain. In supporting local businesses, in Q2 the Council launched a communications campaign encouraging residents to buy locally. The Council is promoting the use of energy efficiency grants from Surrey County Council to support local businesses, highlighting energy saving and efficiency measures, such as solar panel installation and long-life lights to reduce the impact of rising energy costs. The Council will continue to apply for business support grants to support local employment and businesses and distribute them should they become available. Central government has introduced an Energy Price Guarantee which is expected to support households with their energy bills for the next 6 months (to	

SR4	Challenging economic conditions for residents and businesses	RED

April 2023). This support has also extended to the business and non-domestic sectors via the Energy Bill Relief Scheme.

The rising cost of living along with related factors may result in increased referrals to the Council's Money Support service. Additional resourcing has been identified to support the service if necessary. The Council also facilitates closer collaboration between the various other money and debt advice services operating in the borough.

The Council continues to closely liaise with voluntary sector partners and to participate in the Surrey wide fuel poverty group, which will look to reduce incidents and support residents at risk of fuel poverty. The Council administers grants to eligible householders to help them insulate their homes as they arise. The Council also provides grants to local voluntary sector organisations to provide utilities top-ups to residents living in fuel poverty.

The Council is supporting those affected by food poverty in the borough by facilitating food club initiatives and facilitating coordination between food banks in the borough. Food clubs support residents experiencing financial hardship with access to food and basic supplies. They can help provide a sustainable solution to food poverty and reduce the need to use emergency food banks.

The Council will be actively coordinating at a county level with Surrey County Council for the provision of 'Warm Hubs' for residents in need. These are intended to assist those in fuel poverty by providing warm spaces across the borough. Other actions and options are being actively considered.

The Council continues to receive government grants to support homeless residents, or those at risk of homelessness.

The Council has commenced a study linking affordability of housing in the borough to levels of homelessness in 2021/22. This has continued into the 2022/23 financial year with additional data from the first half of the financial year being included. This is expected to provide insights into how the Council can combat and prevent homelessness and provide additional data on the impact of local affordability on homelessness at the local level.

The Council also continues to administer the government's Household Support Fund. The council has been received the first 3 tranches of the Household Support fund allocation, with the first and second now completed and the third about to commence. This has been used to support vulnerable households with access to food and heating, with approximately £700k spent in the first two tranches. The Council has supported our voluntary sector partners and households to prevent homelessness.

Score	Likelihood	More than likely	Direction of travel	-
	Impact	Significant		

Status	Treat/tolerate

Last update	25 October 2022

SR5	Organisational capacity and culture	AMBER

Description	The Covid-19 pandemic has had a significant impact on the Council, with additional demands and challenges arising alongside the need to continue to deliver on corporate objectives. The pandemic has also drastically changed the way the Council operates, the context within which it does so, with a resultant shift in the organisational culture and ways of working. As we increasingly move into recovery, these factors underscore the importance of the Council prioritising its activities and being sustainably and efficiently resourced to meet the challenges ahead. In this new context, the embedding of a robust and resilient organisational culture that successfully supports officers and members and makes the Council an attractive place to work is similarly key. The failure to do will risk the delivery of the Council's objectives.

Owner	**Portfolio Holder**	Cllr Lewanski
	Officers	Mari Roberts-Wood, Ann Slavin and Kate Brown

Controls	Implementation of the Human Resources and Organisational Development strategy. Development of an embedded Workforce Planning approach for the Council, alongside service and financial planning. Recruitment, training, and development. Ongoing consultation and engagement with staff. Succession planning.

Mitigating actions/progress	Before the COVID-19 pandemic significant work was undertaken on the Council's HR and OD Work Programme (previously the 'Organisational Development Strategy') which has formed the solid basis for post-pandemic action. The Council continues to face challenges in regard to recruitment and retention of staff. While turnover was low during the pandemic, it has steadily increased in 2022/23 year, due to a combination of factors including a buoyant job market and built-up demand for a job move. Staff resourcing levels are being closely monitored and action taken as required. The Council has engaged with the Local Government Association (LGA) for support with identifying initiatives that will ensure that the Council continues to attract and retain staff. A Corporate Pay Board has also been established to oversee all aspects of employee pay costs and benefits. An embedded workforce planning approach is in place alongside service and financial planning to ensure resources meet the Council's requirements.

Score	**Likelihood**	Possible	**Direction of travel**	-
	Impact	Significant		

Status	Treat

Last update	6 October 2022

SR6	Cost pressures affecting the viability of Council developments	AMBER

Description	The UK construction sector has seen an increase in building material and labour costs arising from global supply chain disruption and inflationary pressures. This disruption and increase in costs may impact the Council's ability to deliver economically viable development projects. The effects of this are multifaceted but could result in negative financial implications as well as jeopardising the delivery of strategic corporate objectives.

Owner	**Portfolio Holder**	Cllrs Biggs and Schofield
	Officers	Mari Roberts-Wood, Luci Mould, Pat Main, and Peter Boarder

Controls	Robust, stress tested business cases for all development projects which are reported and monitored via established governance arrangements. The Council will collaborate and seek external advice from external professional teams (quantity surveyors, employers' agents, etc.) to attempt to resolve cost pressures. Rigorous change management processes will be put in place for all development projects. External grant funding opportunities will be pursued where available.

Mitigating actions/progress	Cost pressures on Council development schemes are considered under the annual service and financial planning and budgeting monitoring processes. Such cost pressures are also considered as part of business case development and are closely monitored throughout a project's lifecycle.

Score	**Likelihood**	Possible	**Direction of travel**	-
	Impact	Significant		

Status	Treat

Last update	11 October 2022

SR7	Local government reorganisation, devolution and Levelling Up	AMBER

Description	A reorganisation of local government could be prompted by a range of scenarios and circumstances, including the financial failure of an authority within Surrey or as part of the government's devolution and 'Levelling Up' agenda. The uncertainty surrounding, and subsequent results of, any local government reorganisation could adversely affect the Council and the delivery of services for residents.

Owner	**Portfolio Holder**	Cllr Brunt
	Officers	Mari Roberts-Wood

Controls	Close working with neighbouring and partner authorities to develop alternative proposals for the future of local government in Surrey.
	Lobbying central government where appropriate and necessary.

Mitigating actions/progress	In May 2022 the government published its Levelling Up and Regeneration Bill. The Bill creates the statutory basis for the new forms of devolution articulated in the earlier White Paper.
	The Bill articulates three levels of devolution. 'Level 3' describes the creation of Combined County Authorities (CCAs) with directly elected mayors as recipients of newly devolved powers and funding. Whilst the existing legislative provisions for combined authorities require all local authorities within the area covered to be a full member, the CCAs introduced by the Bill may be setup with upper-tier authorities only (county and unitary authorities).
	The Bill would also permit the Secretary of State to transfer powers and functions away from a county or districts in an area to the newly established CCA. The Bill may therefore result in a substantial transference of powers and responsibilities in areas receiving a CCA.
	Surrey County Council are at the early stages of developing a 'level 2' proposal to secure a county deal. The current draft proposals concern: (i) the creation of a single Surrey wide growth and investment fund; (ii) the creation of a Surrey growth and enterprise hub which requires changes to current Local Enterprise Partnership functions and responsibilities; (iii) Surrey CC receiving devolved skills functions and budget from central government; (iv) Surrey CC being designated the lead climate change authority; and (v) the development of a Surrey infrastructure investment plan.
	The impact – and any benefits – of the proposed changes are uncertain at this early stage. Deals at level 2 are not likely to result in any significant local government structural or governance changes, though this will be confirmed following the outcome of any negotiations with central government.
	The Council has engaged with Surrey CC as it develops its proposal and will continue to seek to proactively influence the debate on devolution deals as well as the future structure of local government in Surrey.

Score	**Likelihood**	Possible	**Direction of travel**	-
	Impact	Significant		

Status	Treat

Last update	10 November 2022

SR8	ICT network capacity and resilience	AMBER
Description	The Covid-19 pandemic has sparked a significant shift in the way that the Council works, with increasing demands placed on technology and the underlying supporting ICT infrastructure. As the reliance and demands placed upon technology continues to increase, there is a risk of significant disruption to service delivery in the event of network disruption and/or outage, particularly following a cyber-attack. It is therefore imperative that the Council continues to invest in robust systems, infrastructure, network security and disaster recovery capabilities to manage this risk and maintain the delivery of services.	

Owner	**Portfolio Holder**	Cllr Lewanski
	Officers	Darren Wray

Controls	ICT has in-place several layers of defences protecting core data and systems from Internet and locally introduced threats. Including email scanning, internet browsing controls; device and server based anti-virus software and whole disk encryption for laptops. Virus patterns are updated on a regular basis. Firewalls are placed at points on the network where external connections join the local network. Implementation of the new ICT strategy to further enhance the Council's network resilience and cyber security capabilities. Active contract with NCCGroup, a cyber security specialist organisation for the investigation of any incidents that may arise. A programme of cyber security training with all staff

Mitigating actions/progress	The ICT service has put in place a Service Level Agreement (SLA) with the NCCGroup, who work on behalf of the Cabinet Office on heightening cyber security across local government. The SLA provides support and instant access to the NCCGroup's expertise in the event of a cyber security incident. In March 2022 a proposal for significant enhancements to the Council's cyber security capabilities was approved by the Executive and Full Council as part of the Council's new ICT strategy. Implementation of the new strategy has now begun, with the procurement phase beginning in Q1 and concluding in Q2 of 2022/23. Implementation has now commenced and is expected to have completed by the end of Q3.

Score	**Likelihood**	Unlikely	**Direction of travel**	-
	Impact	Significant		

Status	Treat

Last update	10 October 2022

SR9	Fraud	AMBER
Description	Due to the wide range of activities undertaken by the Council, there is a risk of fraud being committed. The risk of the latter is exacerbated by the new areas of activity as part of the Council's response to the Covid-19 pandemic.	

Owner	**Portfolio Holder**	Cllr Schofield
	Officers	Pat Main and Simon Rosser

Controls	The Council maintains robust control measures to protect public funds from fraudulent activity. This includes the Counter Fraud, Corruption and Bribery Policy, Whistleblowing Policy, and Prosecution Policies. The Council has a Fraud and Financial Investigations Team that are proactive and reactive. Investigations can be external and internal and cover all areas of corporate fraud. Staff induction also includes fraud awareness training, as well as awareness of established policies and procedures. Internal audit undertaking reviews into fraud risk areas.

Mitigating actions/progress	The Council's in-house fraud team detected elevated levels of fraudulent activity during 2021/22. This had arisen from new activity areas as part of the pandemic response as well as the effects of the pandemic giving rise to increased attempts to commit fraud, such as in attempting to fraudulently join the Council's housing register. The Council is making proactive fraud checks on all housing applications and action will be taken where appropriate. A staff wide fraud awareness programme has been implemented, with training of the relevant teams continuing to take place.

Score	**Likelihood**	More than likely	**Direction of travel**	-
	Impact	Moderate		

Status	Treat

Last update	14 October 2022

SR10	Gatwick airport		AMBER
Description	Despite the impact of the Covid-19 pandemic on international travel, Gatwick Airport is continuing to pursue its plans for expansion. Whilst the airport is a key local employer and its operations and supply chains have a significant bearing on the borough's economy, its expansion risks local environmental and infrastructural issues if not appropriately planned and managed.		
Owner	**Portfolio Holder**	Cllr Biggs	
	Officers	Luci Mould and Andrew Benson	
Controls	This risk is largely outside of the Council's control and is dependent on any possible support provided by the government to the aviation sector and the commercial decisions made by private companies. The council will continue to regularly engage throughout the planning process to mitigate negative outcomes and maximise benefits. Engagement with Gatwick via the formal planning process Cooperation with neighbouring Local Authority partners affected by the expansion		
Mitigating actions/progress	Gatwick continues to pursue its plans for expansion. The Council responded to a consultation in advance of the airport's application for a development consent order, which is expected to be made towards the end of 2022. A new phase of engagement commenced in Q1 of 2022/23, which the Council continues to participate in.		
Score	**Likelihood**	Possible	**Direction of travel**	-
	Impact	Moderate		
Status	Treat/tolerate		
Last update	10 October 2022		

SR11	Planning system reform		AMBER

Description	The government is considering changes to the planning system in England. There is a risk that, if adopted in the form contained in the consultation White Paper, these changes could result in a loss of local democratic control over planning matters.
	Although the government have confirmed that they will not be increasing the threshold at which affordable housing is required from developments (which was included in a past consultation documents), there is a risk that the other proposed changes, if adopted into national policy, could result in a reduction in the delivery of affordable housing in the borough.

Owner	**Portfolio Holder**	Cllr Biggs
	Officers	Luci Mould and Andrew Benson

Controls	Respond to the government's consultation as it develops, and as additional rounds of consultation are issued.
	To continue to pursue the delivery of affordable housing as detailed in the Council's housing strategy.

Mitigating actions/progress	In May 2022 the Queen's Speech announced new proposed reforms to the planning system, as part of a Levelling Up and Regeneration Bill.
	The Bill has not taken forward a number of measures set out in the previous Planning for the Future White Paper.
	The highlights of these proposed reforms include:
	• A new development plan system will be introduced at the local level. This may result in changes to the setting of local plans by local authorities.
	• The Local Planning Authorities (LPAs) being required to make all planning decisions in accordance with their development plan (and any national development management policies) unless material considerations strongly indicate otherwise.
	• A proposal to introduce street referenda on developments. These 'street votes' are intended to provide residents with the power to set their own development rules in suburban areas.
	• The introduction of a new infrastructure levy to be implemented by English local authorities to replace the Community Infrastructure Levy (CIL) and most developer contributions to local infrastructure and affordable housing via 'section 106 agreements.
	The implications arising from the Bill will be monitored and any action taken as necessary.

Score	Likelihood	Possible	Direction of travel	-
	Impact	Moderate		

Status	Treat

Last update	19 October 2022

SR12	Climate change impact	AMBER

Description	It is widely recognised that the Earth's climate is changing, with this forecast to result in more extreme weather. This could have negative impacts, including on the built and natural environment, with vulnerable residents likely to be most severely impacted. In response, the Council may encounter difficulties in delivering services and may similarly have additional demands placed upon it, particularly as climate change adaptation and mitigation becomes increasingly necessary.

Owner	**Portfolio Holder**	Cllrs Lewanski and Brunt
	Officers	Cath Rose, Frank Etheridge, Andrew Benson

Controls	The Council's multi-agency adverse weather emergency plan as well as service level business continuity plans. Partnership work with Surrey County Council and the Environment Agency to mitigate flooding in local developments. The creation of an internal Sustainability Team and the associated implementation of the recommendations of the Environmental Sustainability Strategy. Supplementary planning document detailing climate change and sustainable construction for new developments in the borough. Consideration of climate change impacts requirements under both existing and new local plan.
Mitigating actions/progress	The Council continues to actively implement measures to reduce the impact of extreme weather on local developments. For example, the installation of swales at Merstham Recreational Ground to improve drainage capacity. Further activity is taking place in the north of the borough to reduce the impact from flooding and other extreme weather events, with the Council actively engaging in local flood action groups. The Council has introduced a Household Emergency Plan, which details what activities households can take to minimise impact from flooding or other extreme weather events. The plan has been published on the Council's website for residents to use. The Council's Emergency Planning team continues to proactively engage at the Surrey Local Resilience Forum for preparing for and responding to extreme weather events.

Score	**Likelihood**	More than likely	**Direction of travel**	-
	Impact	Moderate		

Status	Tolerate/Treat

Last update	5 October 2022

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Signed off by	Head of Corporate Policy, Projects and Performance	
Author	Luke Harvey, Project & Performance Team Leader	
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To	Audit Committee	
Date	Audit Committee: Wednesday, 7 December 2022	
Executive Member	Portfolio Holder for Corporate Policy and Resources	

Key Decision Required	N
Wards Affected	(All Wards);

Subject	Risk management strategy - 2023/24-2025/26

Recommendations

That the Audit Committee:

(i)   **Note the updated risk management strategy available at annex 1 (2023/24-2025/26) and make any observations to the Executive.**

Reasons for Recommendations

For the Council to have arrangements in place for the effective management of risk.

Executive Summary

In accordance with its schedule of regular review, the Council's risk management strategy has been updated. The strategy sets out the Council's commitment to effective risk management as a core component of effective corporate governance and organisational performance.

The Audit Committee has the authority to approve the above recommendation.

Statutory Powers

1. The Council holds various statutory responsibilities for ensuring that its business is conducted in accordance with the law and that public money is safeguarded, accounted for, and is used economically and effectively.

2. This statutory framework includes the Local Government Accounts and Audit Regulations (2015) which require local authorities to have 'a sound system of internal control which … includes effective arrangements for the management of risk'.

3. The Council also has a duty under the Local Government Act (1999) to put in place proper arrangements for the governance of its affairs. The fulfilment of this responsibility includes arrangements for managing risk. The Council's Code of Corporate Governance outlines these core governance principles, compliance with the code is reported each year via the Annual Governance Statement.

Background

4. The Council maintains a risk management strategy. The strategy sets out the Council's overarching approach to risk management and articulates how the Council identifies, assesses, manages and reports on the risks that it faces in delivering its objectives.

5. The risk management strategy helps ensure the centrality of risk management to all organisational activities and decision-making, whilst also helping to foster a positive and mature risk culture.

6. The strategy undergoes regular review (at least every three years, or more frequently if required), with the current strategy due to be updated by the close of 2022.

7. The Council's Constitution states that it is the overall responsibility of Full Council to approve the risk management strategy.

8. As risks may affect the Council's objectives, the Constitution also states that the Leader and the Executive has overall responsibility for ensuring that the Council effectively manages risks, including through the operation of an effective risk management strategy.

9. The Audit Committee's constitutional responsibilities require it to provide independent assurance of the adequacy of the Council's risk management arrangements and internal control environment.

Key Information

Risk management

10. Risk is defined as 'the effect of uncertainty on objectives'. Risk management refers to the set of coordinated activities that manage and reduce risk and exercise internal control within an organisation.

11. The Council recognises that risk management is of fundamental importance to effective corporate governance, leadership as well as the direction, control and management of the organisation.

12. In adopting this strategy, the Council is setting out its commitment to ensuring that risk is appropriately considered in all aspects of informed decision making.

The updated strategy

13. The strategy – available at annex 1 – has undergone a thorough review and update to ensure its effectiveness and appropriateness in the context of the Council's risk profile.

14. It now includes a defined risk appetite for the Council, as well as a new process to compile an assurance framework which sets out all risks the Council faces as well as the corresponding controls. Its purpose is to focus corporate risk registers on risks of concern whilst simultaneously creating a comprehensive record of all risks faced, therefore heightening risk awareness and strengthening the control environment.

15. The strategy is complemented by a risk management methodology which sets out in a greater detail the operational processes followed at Reigate and Banstead. The methodology is available for members' information annex 3.

Risk appetite

16. The Council has worked with Zurich Resilience Solutions to define the risk appetite.

17. According to Zurich:

    A risk appetite statement clarifies an organisation's approach to striking the right balance between risk and reward… Defining risk appetite is not to establish which risk profile we wish to adopt, but rather the amount of risk we are willing to accept in the pursuit of the strategic objectives and make clear what balance we are seeking between risk and reward.

18. Introducing a risk appetite statement can assist members and officers:

    - Firstly, when considering the best response to risks to corporate objectives, as set out in the strategic risk register; and
    - Secondly, when making specific key decisions and considering the risk implications of accepting or rejecting a course of action

19. Workshops were held with the Audit Committee, Executive and the Senior Management team to inform the formulation of the Council's risk appetite. The Audit Committee were also consulted on the scope of the proposed update in an informal briefing.

Zurich's opinion

20. Zurich have also acted as a 'critical friend' in the development of the strategy and have confirmed that:

    The process has resulted in a comprehensive and well worked strategy document. Structures and processes both evidence a risk management programme with clear definitions of roles and responsibilities. This is supported by the risk methodology which shows a good understanding of risk management practices and application.

    The reviewed documents leave an impression of a well developed risk management strategy and methodology, which now includes a defined risk

appetite statement and instructions for how to apply this risk appetite in the wider risk management process. This approach is comparable to what is present throughout the sector and conforms to guidelines such as "The Orange Book".

21. Zurich's full opinion is available at annex 2.

Next steps

22. The strategy will be considered by the Executive on 26 January and Council on 9 February 2023.

23. Any observations made by the Audit Committee will be considered by the Executive as part of finalising the strategy ahead of recommending that Full Council approve it.

Options

24. The Audit Committee has two options:

- Option 1: note this report and annex 1 and make any observations to the Executive.

- Option 2: note this report and annex 1 and make no observations to the Executive.

Legal Implications

25. There are no legal implications arising from this report.

Financial Implications

26. There are no financial implications arising from this report.

Equalities Implications

27. There are no equalities implications arising from this report.

Communication Implications

28. There are no communication implications arising from this report.

Environmental Sustainability Implications

29. There are no environmental sustainability implications arising from this report.

Risk Management Considerations

30. There are no additional risk management considerations arising from this report. The revised Risk Management Strategy will ensure that the Council's approach to risk and risk management remains robust.

Other Implications

31.   There are no other implications arising from this report.

Consultation

32.   There are no consultation implications arising from this report.

Policy Framework

33.   The risk management strategy supports the Council's wider policy framework through supporting the identification and management of risks that threaten the delivery of policy objectives.

Background Powers

1.   Reigate & Banstead Borough Council: risk management methodology – 2023/24–2025/26. Available at annex 3.

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Reigate & Banstead Borough Council

Risk management strategy

2023/24 to 2025/26

Contents

Plan on a page

Setting the scene

The purpose of our Risk Management Strategy is to explain how the Council identifies, assesses, manages and reports on the risks that it faces in delivering its objectives.

Risk management refers to the set of coordinated activities designed to manage risk and exercise internal control within an organisation. The Council's approach to risk management considers **internal** risk, **external** risk, **strategic** risk and **major project** risks.

The way we **define risk** is consistent with Government guidance: we identify the **cause**, the potential **event**(s) that might be experienced and the **consequences** of the event(s).

Defining the Council's appetite for risk

The Council is committed to being **risk aware rather than risk averse**. Unfortunately, risk is ever present and unavoidable.

The Council **prefers a cautious approach to risk** but acknowledges that it in some areas it is necessary to accept higher levels of risk to ensure the achievement of objectives.

The three line of defence model

Line 1: Risk ownership	Line 2: Risk challenge	Line 3: Independent review
•Service areas own and mange risks within or faced by their service areas	•Specialist corporate functions support services to manage risk	•Internal and external audit functions provide independent assurance
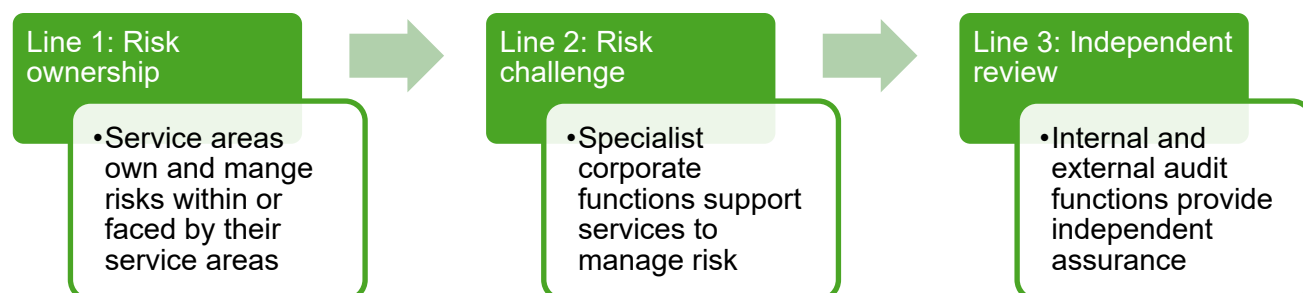
Key roles and responsibilities

Heads of Service: Identify, implement and maintain effective internal controls to manage risk on a day-to-day basis and escalate risks as appropriate.

Corporate Governance Group: Overall responsibility for day-to-day management of risks

Audit Committee: Provides independent review of and assurance on the Council's risk management approach and internal control frameworks

The Executive: Holds overall responsibility for ensuring that risk is adequately considered and addressed across the full range of Council activities.

How we manage risk

Risk is managed using a structured approach, defined as the **risk management cycle**.

Risk identification	Risk assessment	Risk treatment	Monitoring and reporting
Key players: - Service management supported by corporate specialists **Comprises:** - Annual business planning process - Regular (at least quarterly) in year review **Key outputs:** - Risk definition and allocation of a risk owner - Documentation of risk in Assurance Framework	**Key players:** - Service management supported by corporate specialists **Comprises:** - Assessment of inherent risk - Identification of controls and mitigations to determine current risk - Comparison against risk appetite **Key outputs:** - Inclusion of risk on Corporate Risk Register (strategic or operational) if controls or mitigations are found to be inadequate	**Key players:** - Service management supported by corporate specialists - Corporate Governance Group **Comprises:** - Identification of target risk score - Identification of risk treatment approach and appropriate treatment action(s) **Key outputs:** - Documentation of inherent, current and target risk, and risk treatment approach on Corporate Risk Register	**Key players:** - Service management supported by corporate specialists - Corporate Governance Group - Audit Committee - Executive **Comprises:** - Quarterly monitoring - Quarterly reporting on corporate risk registers - Annual publication of Assurance Framework **Key outputs:** - Review of strategic risks by Audit Committee - Agreement of strategic risk register by Executive

Introduction

This strategy sets out Reigate & Banstead Borough Council's commitment to effective risk management.

In broad terms, risk may be defined as the effect of uncertainty on objectives. Risk management refers to the set of coordinated activities designed to manage risk and exercise internal control within an organisation.

The purpose of the Council's risk management strategy and framework is to articulate how the Council identifies, assesses, manages and reports on the risks that it faces in delivering its objectives. The strategy will help ensure the integrity of risk management to all organisational activities and decision-making, as well as the fostering of a positive and mature risk culture.

Whilst the strategy sets out the overarching approach to risk management at the Council, an accompanying risk management methodology sits alongside it. The methodology defines the method and processes that are followed in pursuit of the strategy, including detailed roles and responsibilities.

The strategy and methodology have been designed in recognition of the fact that risk management is fundamental to effective governance and leadership and is similarly core to how the Council is managed and controlled. The two documents therefore form the foundation of robust risk management activity at the Council, thereby helping to contribute to the effectiveness of the wider corporate governance framework and the achievement of corporate objectives

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Strategy statement

Reigate & Banstead Borough Council recognises that risk management is of fundamental importance to effective corporate governance, leadership as well as the direction, control and management of the organisation. Effective risk management is an integral part of all Council activities and, in adopting this strategy, the Council is setting out its commitment to ensuring that risk is appropriately considered in all aspects of informed decision making.

The Council is committed to being risk aware rather than risk averse. Unfortunately, risk is ever present and unavoidable. As a complex organisation with bold ambitions that operates in an inherently uncertain environment, it is not possible for the Council to be risk averse and to be successful.

The Council **prefers a cautious approach to risk** but acknowledges that in some areas it is necessary to accept higher levels of risk to ensure the achievement of objectives. The Council is therefore committed to embracing the discipline of risk management to improve planning, performance, decision-making and to help identify and respond to challenges and to keep risks within the risk appetite.

This strategy recognises that the core practices and principles of risk management should be embedded throughout the organisation and underpinned by a mature and supportive risk culture that encourages innovation, awareness, transparency and ownership.

The Council is keen that risk management does not stifle innovation and the delivery of services for residents and businesses. Instead, risk management should underpin all activities in fostering an environment within which informed risks can be taken, providing they are actively managed in accordance with the Council's risk appetite.

The strategy will therefore ensure that:

- Risk management contributes to ensuring effective service delivery and the achievement of the Council's objectives;
- The ownership and accountability of risks are clearly assigned throughout the Council;
- Members and officers acknowledge and understand the importance of risk management as a good governance process, by which key risks and opportunities are identified, evaluated and managed; and,
- Effective monitoring and reporting mechanisms are in place to review the Council's exposure to, and management of, risks.

Objectives

The objectives of the risk management strategy and methodology are to:

- Integrate risk management into the strategic and operational processes, procedures and culture of the Council, thereby maintaining good governance;
- Enable effective, risk-based decision making;
- Provide management with early warnings of any potential problems so that a response can be made in a planned, preventive way;
- Enable management to be clear on the activities over which they require assurance and the extent and adequacy of that assurance based on risk;
- Ensure that risk is identified, managed and reported on in accordance with established best practice, appropriately tailored to the Council's risk profile;
- Foster a culture of effective risk awareness and ownership;
- Anticipate and respond to changing social, environmental and legislative requirements; and,
- Minimise loss, disruption, damage and injury.

Benefits

An effective approach to risk management will deliver a number of benefits, including:

- Improved standards of corporate governance;
- An enhanced ability to deliver against corporate objectives, with risks clearly understood, documented and controlled;
- Improved strategic and operational decision-making;
- Improved risk awareness amongst staff and management;
- Enhanced financial control and reporting;
- The appropriate and effective use of resources;
- The minimisation of waste, including additional expense incurred and resources otherwise wasted;
- Cost avoidance; and,
- Improved staff, resident and member health and safety.

Managing risks

Risk

The government's Orange Book defines risk as the effect of uncertainty on objectives.[1] Risk is usually expressed in terms of **causes,** potential **events** and their **consequences**:

- A **cause** is an element which alone or in combination with another has the potential to give rise to a risk;
- An **event** is an occurrence or change of a set of circumstances. It can be something that is expected and which does not happen or something that is not expected but does happen. Events can have multiple causes and consequences and can affect multiple objectives; and,
- **Consequences** are the outcome of an event affecting objectives, which can be certain or uncertain, can have positive or negative direct or indirect effects on objectives, can be expressed qualitatively or quantitatively, and can escalate through cascading and cumulative effects.

The Council is a complex organisation that provides a diverse range of important services – many of which are statutory – to residents and businesses. There are risks inherent to delivering these services. There are similarly risks inherent to the risk profile of local government. The Council also operates in an external environment that is widely acknowledged as being 'radically uncertain'. The recent Covid-19 pandemic, economic and geopolitical crises merely underscore this.

Due to its role and the uncertain context within which it operates, risk is thus unavoidable and inherent in everything that the Council does. The Council cannot be blanketly risk averse and deliver for our residents and businesses.

Risk management

The Orange Book defines risk management as a coordinated set of activities that are designed and operated to manage risk and exercise internal control within an organisation.

Taking the unavoidable nature of risk into account, risk management allows an organisation to systematically identify risks, evaluate their potential consequences and determine the most appropriate way of controlling and monitoring them, with the ultimate objective being to

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[1] The Orange Book: Management of Risk – Principles and Concepts. Available from: https://www.gov.uk/government/publications/orange-book

achieve corporate objectives. Successful organisations therefore embrace risk and use risk management to enhance their strategic and operational planning and prioritisation.

As the Orange Book notes, risk management should be regarded as a core component of corporate governance and leadership. Put simply, it is fundamental to how the Council is directed, managed and controlled at all levels.

The Council's Code of Corporate Governance sets out the Council's wider governance arrangements and, specifically, how the Council ensures it is doing the right things in the right way.[2] The code has been developed in accordance with the seven core principles that should underpin the governance framework of a local authority, as outlined in the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives' (Solace) guidance.

The seven core principles of good governance are:

1. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rules of law;
2. Ensuring openness and comprehensive stakeholder engagement;
3. Defining outcomes in terms of sustainable economic, social and environmental benefits;
4. Determining the interventions necessary to optimise the achievement of the intended outcomes;
5. Developing the Council's capacity, including the capability of its leadership and the individuals within it;
6. Managing risks and performance through robust internal control and strong public financial management; and,
7. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

In achieving these principles, risk management should be integral to all strategic and operational activities and considered in all aspects of decision making. As an integrated part of the wider management system of internal control, risk management harnesses and coordinates the various activities across the Council that identify and manage risks to a common effect.

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[2] Reigate & Banstead Borough Council, Code of Corporate Governance. Available here: https://www.reigate-banstead.gov.uk/info/20400/your_council_documents/1285/code_of_corporate_governance

This strategy therefore sets out the Council's approach to risk management and how the aforementioned principles are applied at Reigate & Banstead. The detail of its application is included in the accompanying methodology document.

Types of risk

The Council faces a diverse range of risks. They may initially be categorised by their type which largely reflects the source of the risk as well as the potential impact. Understanding the type of risks faced by an organisation is a key first step to identifying the best action to take in managing the risk.

Whilst the range of risks faced by the Council are diverse, they may be grouped into four key categories, as set out below.[3] The types of risk are not mutually exclusive, and a given risk may not wholly reside within a single category.

- **Internal –** These are risks that are inherent to an organisation by virtue of its existence and/or the operational activities that it undertakes. The organisation will have some influence over internal risks, either to control and/or mitigate them.

  Examples include health and safety; information governance and data protection; safeguarding; fraud and general capability and capacity. The delivery of projects will also result in risks.

- **External –** External risks are those that arise from the external environment and could negatively impact the organisation. Some external risks may overlap with internal risks. For instance, local government has a statutory responsibility to plan for and respond to civil emergencies.

  External risks, whilst originating outside the organisation, may be regarded as being inherent to the external environment within which all organisations operate, though the nature of the organisation will affect and mediate the impact of the risk itself.

  Examples include civil emergencies, business continuity incidents and economic crises.

- **Strategic –** Strategic risks are closely related to external risks, though are subtly distinct. Strategic risks relate to external risks inasmuch as their source usually lies

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[3] Adapted from Management of Risk in government: framework. Available from: https://www.gov.uk/government/publications/management-of-risk-in-government-framework

outside the organisation, though they are distinct in that they concern – and impact – the organisation's fundamental reason for existence. In the local government context, the latter refers to key corporate objectives set out in policy documents such as the corporate plan and medium-term financial plan.

Strategic risks usually result from a particular constellation of forces and dynamics which are inherently situationally specific and are not inherent in the same way as internal and external risks are. They may be immediate or slower burn in their impact. Their impacts are usually significant.

Examples include changes in legislation; political instability (local and national); internal leadership capacity; and general organisational capacity and culture.

- **Major projects –** Major projects are typically defined as such by their size and/or complexity. Major projects present significant risks to organisations in their delivery and indeed their non-delivery. Their size and associated impacts merit their separate treatment to other risks faced by an organisation. There are several reasons for this, including ensuring sufficient corporate visibility and governance standards as well as the fact that risks – of action and indeed inaction – should be considered within the development of the project's business case.

Three lines of defence

Audit Committee

Corporate Governance Group/Senior Management

First line	**Second line**	**Third line**
Risk ownership	**Risk challenge**	**Independent review**
Management policies, practices and procedures to control and mitigate risk	Functions that oversee or specialise in risk management	Independent review of the effectiveness of risk management and control
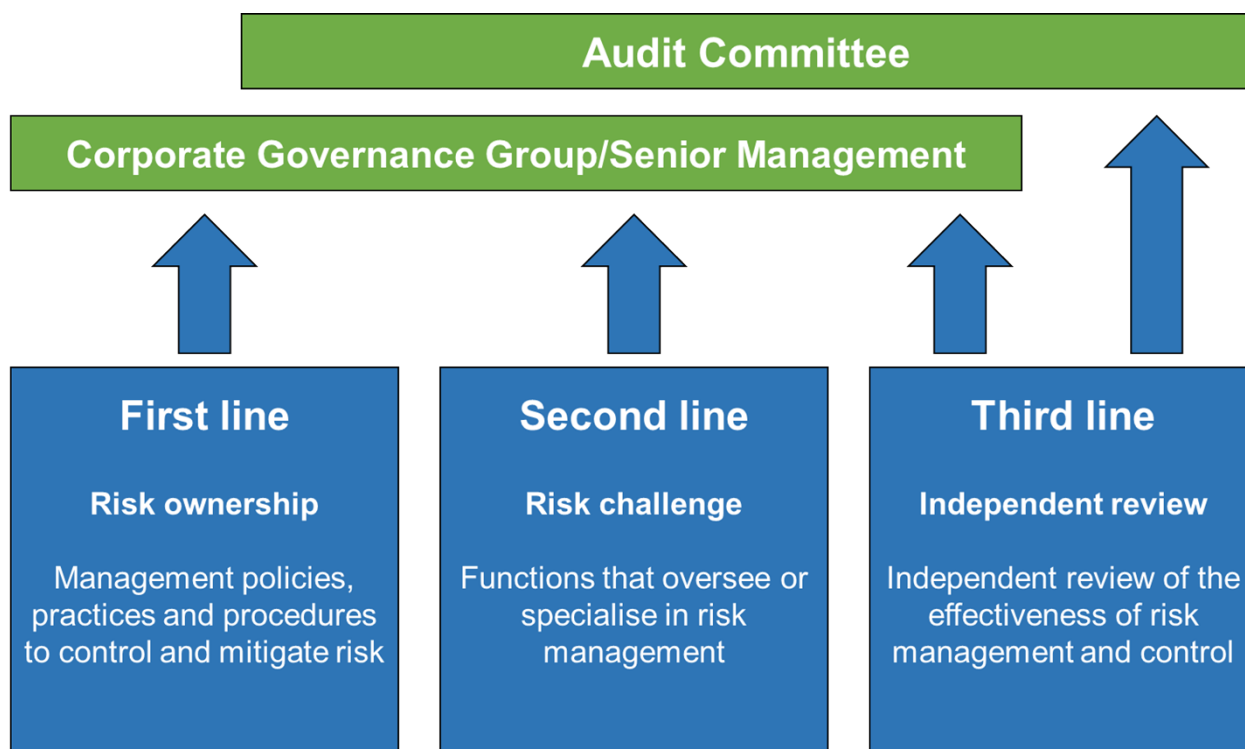
The Council operates a three line of defence model for risk management.

The model provides a comprehensive framework for considering, mapping and structuring the arrangements for exercising internal control to achieve effective governance and assurance. Internal control refers to the dynamic and iterative series of processes, policies and procedures that are purposed with managing risk and exercising effective governance. Internal controls are found throughout the Council and are inherent to its successful operation.

The three line of defence model is predicated on the tripartite concept that (i) risk should not be left to risk management specialists (ii) everyone in the Council has some responsibility for risk management and (iii) that the varying roles, parts and levels of the Council play different, but complementary, roles within risk management. Indeed, it is the interplay between the latter that determines how effective the organisation is in managing risk and is of fundamental importance to the delivery of effective corporate governance.

Constituted governance bodies and senior management are not considered to reside within a line in the model. Instead, they are key stakeholders that themselves are served by the collective operation of the three lines.

The accompanying methodology provides more information on how the model is implemented at Reigate & Banstead. At this point, however, the model may be summarised as follows:

First line of defence

The first line of defence refers to service management's primary responsibility and accountability for identifying, assessing, monitoring and managing risks as part of effective service delivery.

As the first line of defence, Heads of Service and service managers (collectively 'service management') own and manage risks encountered within, or faced by, their service area.

Service management is therefore ultimately responsible for implementing and maintaining effective internal controls and managing risks on a day-to-day basis and in accordance with the Council's risk appetite, thereby helping to prevent risks from negatively affecting the achievement of service and corporate objectives.

Through the Council's management structure, managers design, operate and improve the policies, procedures and practices that manage risk in their area. Management should therefore be adequately skilled to identify, assess and manage risks. Moreover, adequate and appropriately tailored supervisory arrangements should be in place to ensure compliance with controls, supported by regular monitoring and reporting, training and measures to secure a shared situational awareness of the risk profile faced by the service and how this may change over time.

Risks may emerge from a variety of sources. The Council therefore expects and requires service management to consider all risks that may affect their service. A key source for identifying risks is the annual service and financial planning process where service budgets and objectives are set. It is recognised, however, that not all risks (e.g. 'external' and 'strategic' risks) can be reasonably foreseen as part of the annual budgeting cycle. As such, management require the skill and autonomy to respond to risks as they emerge and as required, though with appropriate escalation routes clearly identified in advance.

Second line of defence

The second line of defence is comprised of the specialist, corporate functions within the Council that support services in their approach to risk management. They may be regarded collectively – and through their interactions with one another – as being key components of effective internal governance.

Second line functions include teams such as Finance, Human Resources, Legal, Procurement, Health and Safety, Projects and Business Assurance and Emergency Planning, amongst several others.

The second line supports management by bringing expertise and best practice alongside the first line to help ensure that risks are effectively managed. They are responsible for designing policies, setting direction, ensuring compliance with controls and providing assurance on the effectiveness of controls put in place to mitigate risks. The second line also monitors and facilitates the implementation of effective risk management practices by management and supports risk owners in reporting on their risks, including progress on control and mitigation to Corporate Governance Group, the Audit Committee and the Executive.

Third line of defence

The third line is primarily made up of the Council's internal and external audit functions, as well as other ad hoc consultancy commissioned to provide assurance.

A professional, independent and objective internal audit function is a key element of ensuring good corporate governance and risk management. Internal audit helps an organisation maximise performance and accomplish its objectives through bringing a systematic approach to the evaluation and improvement of the effectiveness of risk management, control and governance.

As we have seen, the Council is responsible for establishing and maintaining appropriate risk management processes, control systems, and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements – which are invariably found at the first and second lines of defence – are in place and are operating effectively.

External audit is charged with reviewing and verifying the Council's annual statement of accounts. External auditors also have a duty to inform key stakeholders of matters of importance arising from their reviews, including governance and risk management concerns.

The risk management cycle – a framework for assurance

Summary

Effective risk management is founded on robust and systematic risk **identification, assessment, treatment and monitoring and reporting.** Collectively these processes are known at the Council as the risk management cycle.

The risk management cycle is key to the creation of the Council's **assurance framework.**

An assurance framework is a systematic means through which an organisation gathers, documents and demonstrates a comprehensive awareness of the risks it faces and the effectiveness of the controls that are in place. An assurance framework is thus a structured means of identifying and mapping the main sources of assurance relating to risks and helps coordinate them to best effect. The framework also helps highlight where gaps in assurance exist. It cannot reasonably be expected to identify all specific permutations or situations within which risk may be manifested, but instead should focus and group risks by category for the ease and effectiveness of analysis.

The Council's assurance framework is therefore distinct from risk registers, where the latter deal with risks of current concern and are being actively managed; the assurance framework sets out all risks, including those that are otherwise sufficiently controlled and do not therefore merit the same level of management attention. It is a product of, but likewise underpins, the Council's risk management cycle.

In this vein, the assurance framework should be regarded, alongside risk registers, as a central outcome of the successful operation of the risk management cycle. It is an outcome inasmuch as it takes the form of a written document. It is more than this, however, where its robust completion is indicative of mature and effective risk management systems, processes and culture.

The assurance framework is therefore a fundamental supporting component of effective risk management, governance and control through giving management and key stakeholders confidence that the risk management strategy is working effectively.

The Council follows the aforementioned four key stages in its overarching approach to risk management, which are summarised in the sections that follow.

Risk identification
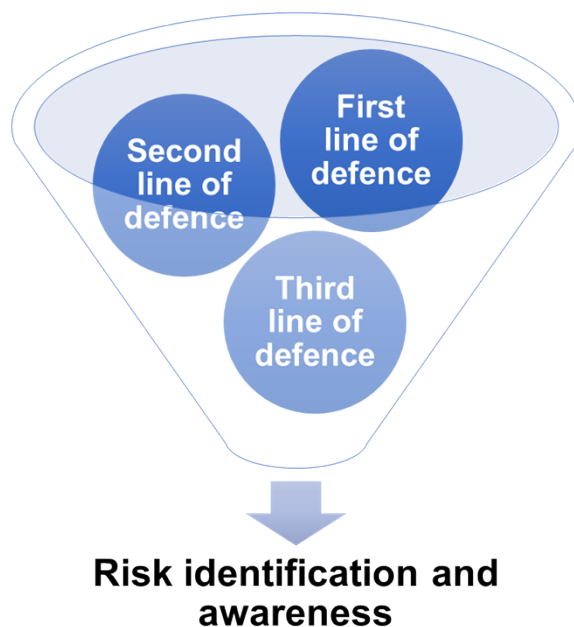
Risk identification and awareness

Risk identification is about identifying what could happen and what the impacts could be on the Council.

A mature risk culture is founded on a well-developed understanding and perception of risk, often known as 'risk awareness'. The ultimate aim of risk identification is to build a rich and evolving picture of the Council's overall risk profile. This is a continual and ongoing process and encompasses all areas of the Council's operations. Risks should be identified and considered regardless of whether they are under the Council's direct control; we are fundamentally concerned with the impact that risks may have on our objectives.

Activities concerned with identifying risks are embedded throughout the Council in accordance with the three line of defence model.

Service management have primary responsibly for the management and identification of risks. As such, a key mechanism for identifying risks is the annual service and financial planning process. As part of this process, service managers and Heads of Service are expected to document the risks that they face and consider what the potential impacts are.

However, risks may emerge and be identified at points outside service or other formal planning cycles. Indeed, the risks set out in service plans are often those known as 'known knowns' or 'known unknowns'. That is, risks where the likelihood and/or the impact is reasonably available for management to measure, assess and plan for as part of business planning.

Not all risks are reasonably foreseeable or evident, and so the first line of defence must be supported by management systems and processes that are established throughout the three lines of defence model to identify risks as they emerge and to provide assurance that the Council's risk profile is robust and well informed.

Once a risk has been identified it should be documented and recorded as a key first step of the risk management cycle.

Crucially, all identified risks must be allocated a **risk owner.** The risk owner is the appropriate individual and/or body that takes accountability for the risk, including efforts made to manage it. Most risk owners will be Heads of Service, though strategic risks may be owned by Senior Management. A corresponding owning Executive Member should also be recorded.

Risk assessment

Once a risk has been identified it should be assessed.

The potential impacts of a risk are initially considered in the identification phase. Risk assessment adds further detail and insight to this by scoring risks in terms of **likelihood** and **impact.** The assessment is carried out using the scoring matrix as set out in the methodology document which accompanies this strategy.

Risks should initially be assessed in terms of their **inherent risk**. Inherent risk refers to the likelihood and impact of a risk occurring without any controls or mitigations in place. A risk control is a process, policy or activity that reduces the likelihood of a risk materialising, whilst a risk mitigation reduces the impact of a risk should it occur. The impact of risk is considered against a number of risk categories as set out in the accompanying methodology document.

The next step is assessing the controls and mitigations in place to ascertain their effectiveness, otherwise known as the **current risk.**
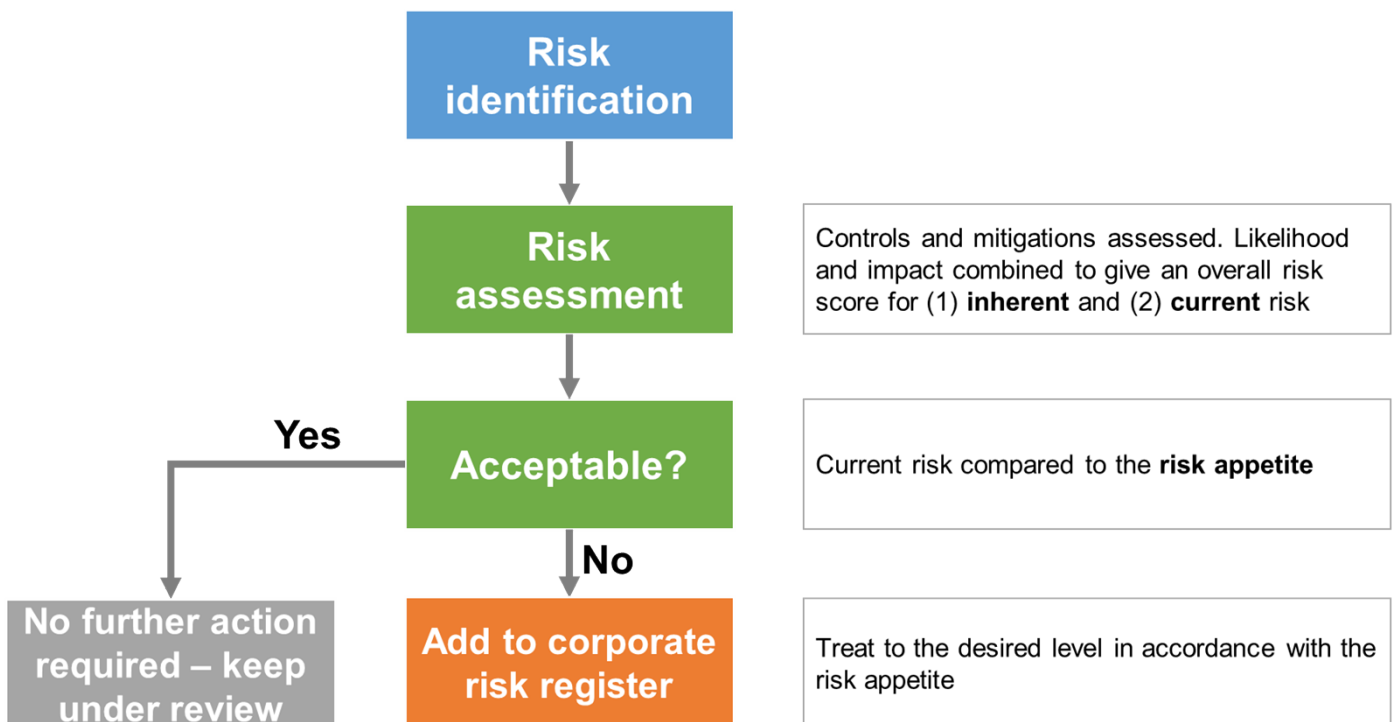
Risk appetite

Assessing the current risk must be done with reference to the Council's **risk appetite**. Risk appetite is defined as the amount or level of risk that an organisation is prepared to accept, tolerate or be exposed to in pursuit of its objectives. An organisation should have an overall risk appetite though it is also important to note that different categories of risk may well require different approaches and risk appetites.

Overall, the **Council prefers a cautious approach to risk** but acknowledges that it in some areas it is necessary to accept higher levels of risk to ensure the achievement of objectives.

The risk appetite has been set in accordance with the Council's wider values and strategy and in consultation with the Audit Committee, senior management and the Executive. Its formal articulation helps establish the accepted boundaries for risk taking and ensures that accepted risks and activity are proportionate to the possible rewards and, ultimately, the achievement of corporate objectives.

Further detail on the Council's risk appetite – including a breakdown of the risk appetite by category – is set out in the accompanying risk management methodology.

Defining the limits of a risk appetite is about identifying at what point decisions regarding the management of a risk are escalated for decision and/or wider corporate awareness. Risk appetite forms part of the overall framework around which decisions are made at the Council. Our appetite for risk should not be static and inflexible but instead should serve as a guide in the decision-making process. The clear definition of a risk appetite – broken down by risk type or category – supports the maintenance of this flexibility, as does the periodic review of the risk management strategy and appetite to ensure it remains fit for purpose and relevant to the Council's objectives and wider risk profile.

The assessment of the current risk against the Council's risk appetite allows management to judge whether the controls and mitigations are adequate and appropriately applied to the level of risk that is faced. If they are **adequate** in accordance with the risk appetite, no further action is needed; the risk should be included on the assurance framework document (if not already), alongside the corresponding controls and/or mitigations for ongoing monitoring and awareness. A future review date should also be identified, as well as a risk owner.

Conversely, it is possible that the controls or mitigations may be excessive and disproportionate to the level of risk faced. It is in this regard, therefore, that a robust risk assessment process, informed by a clear definition of risk appetite, supports the effective and appropriate deployment of the Council's finite resources to manage risk.

If the controls or mitigations are found to be **inadequate**, however, then consideration should be given to whether the risk should be included on the relevant **corporate risk register**.

Risk registers, at their simplest, are management tools used to record information on the risks that have been identified. It is in this regard that risk registers are similarly purposed to the Council's assurance framework.

Their distinctiveness from the assurance framework, however, is centred on the nature of the risks that they detail.

To explain, and as we have seen, the Council faces a considerable number of risks. These include risks inherent to the diverse range of services provided, but also those that stem from the environment in which the Council operates. Risks that have been assessed and which are regarded as sufficiently controlled and/or mitigated should be documented in the assurance framework.

It is important for purposes of governance, risk management and control, however, that primary attention is focused on risks of concern, as defined by their assessment against the Council's risk appetite.

Assurance framework
- Contains all high-level, principal risks

Risk registers
- Contains specific risks that are outside of the risk appetite
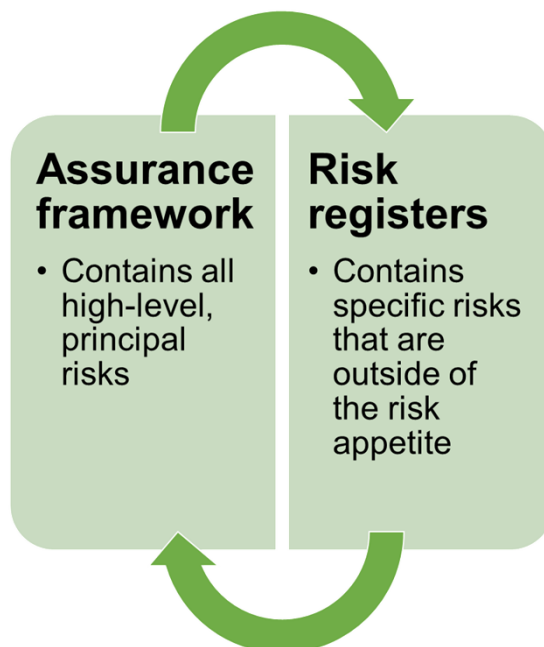
The Council's risk registers should therefore **focus on those risks that are of concern** and are being actively **treated** or responded to by management. These are risks that are outside the usual course of management and may therefore require a wider corporate response, utilising services from across the three lines of defence.

The Council maintains two corporate level risk registers:

- **Strategic risk register:** risks that could have a negative impact on the Council's medium to long term objectives and priorities as set out in the Corporate Plan or other corporate level policies and strategies, including the Medium-Term Financial Plan (MTFP). Strategic risks typically originate from the environment within which the Council operates, though may also stem from an internal source – such as major project – if the impact merits its categorisation as a strategic risk.

  Members of the Council's Senior Management Team and Executive members have shared responsibility for strategic risks.

- **Operational risk register:** risks that are encountered in the delivery of services and which affect service objectives. These risks are ordinarily managed as part of the usual course of management by services, including their business-as-usual activities and projects that are being delivered. However, where the operational risk cannot be managed within the service or if its score is outside of the Council's risk appetite, then it should be considered for inclusion in the operational risk register.

  Heads of Service and service managers have responsibility for operational risks.

The creation and maintenance of corporate level risk registers does not preclude, however, other risk registers being created and maintained as useful management tools.

Projects and programmes, for instance, introduce change and therefore involve varying degrees of inherent risk. The Council's project and programme management frameworks require projects and programmes to maintain risk registers to support effective project and programme governance. These risk registers are valuable sources of assurance and should be used in the compilation and maintenance of the aforementioned assurance framework.

Project and programme risk registers should give assurance that risks arising from them are being appropriately and effectively managed. Should this process raise a concern, then, in the same process as noted above, the risk may be considered for inclusion on the relevant corporate risk register.

Risk treatment

Risk treatment is the collective term that refers to the various options that management have at their disposal to manage a risk.

The primary responsibility for risk management lies at the first line of defence – namely, service management. The first line 'owns' the risk and is responsible for designing processes, procedures and policies (known collectively as controls and mitigations) to manage risk.

The Council's utilisation of the three lines of defence model should be regarded as empowering first line management to manage and treat risks in accordance with the Council's overall risk management strategy and risk appetite. This is based on clearly articulated and well understood roles and responsibilities across the organisation, as well as management confidence to escalate concerns for wider corporate awareness and treatment when required.

Roles and responsibilities, including the Council's commitment to training management and officers in the core tenets of the risk management strategy are set out in detail in the accompanying methodology.

The effective, collective functioning of the three lines of defence should largely deal with risk management as part of business as usual, with risks identified and management processes designed to minimise and treat risk in accordance with the Council's risk appetite. The assurance framework serves as a key control within the three-lines of defence model inasmuch as it documents these risks, assesses their controls and mitigation as part of gaining assurance that risks are being treated appropriately. It is a key resource for the second and third lines in their assurance roles.

Previously unknown risks may emerge at any point, however, and present concern to management. Likewise, a previously identified risk may change substantively enough to render the controls in place inadequate against the corporate risk appetite, therefore changing its current score and raising cause for concern.

As we have seen, these risks, residing outside of business-as-usual arrangements, should be recorded on the relevant corporate risk register, with the **inherent, current and target risk score** clearly set out.

Whilst the inherent and current risk score have been defined above, the **target risk score** refers to where the Council is aiming to treat or manage the risk to. It sets out the desired end point of the risk management cycle. For purposes of governance and the exercising of effective internal control, the target risk score should be included in both the assurance framework and the corporate risk register.

Risk treatment is concerned with selecting the most appropriate course of action for managing a risk, balancing the potential benefits of action against the costs and disadvantages, as well as against the likelihood and impact of the risk itself. Reference to the risk appetite is crucial to completing this proportionately and effectively.

Consideration should also be given to the ability of the Council to influence the risk, in recognition that some risks are such fall outside of the Councill's scope for action.

Risk treatment options include:

- **Avoidance –** simply stop doing the activity that creates the risk, or elements therein.

- **Transfer –** transfer all or part of the risk to another party, such as to insurance or to an agency or contractor.

- **Reduce –** take steps to reduce the likelihood and/or impact of the risk, such as introducing new or modifying existing controls and mitigations.

- **Accept –** accept the risk and take no measures to reduce the likelihood and/or impact.

Risk monitoring and reporting

Once a risk has been identified, assessed and treatment options chosen, it should be regularly monitored and reported on. Effective monitoring and reporting of risks helps ensure that the corporate risk profile remains relevant and up to date and that there is a good awareness of it across the Council. It also supports effective decision making and oversight by providing timely information on risk, helping management and other stakeholders gain the confidence that the right decisions are being made in accordance with the risk appetite. It similarly helps ensure the ongoing the adequacy and effectiveness of internal controls and helps coordinate and effectively deploy other sources of assurance.

Taken together, therefore, robust risk monitoring and reporting is integral to the overall effectiveness of the risk management cycle and is a core component of effective corporate governance.

The assurance framework and corporate risk registers – serving as a comprehensive record of the risks faced by the Council – should be reviewed, at a minimum, on a quarterly basis by the identified risk owners, supported by the Projects and Business Assurance Team as part of their second line of defence responsibilities. However, risk owners are encouraged to review their risks on a more regular basis as part of the usual course of management.

Identified risks will have controls and/or mitigations documented, as well as the inherent, current and target risk scores. Risk monitoring should critically assess the latest situation and the current effectiveness of the controls and mitigations in place and consider whether the risk score has changed following risk management activities or a change in the inherent risk.

Risk monitoring should also provide updates on the implementation of the agreed controls and mitigations, which is particularly relevant for the risk registers which detail the risks of concern.

Other sources of assurance from the second and third lines of defence should be drawn upon in reviewing risks, such as that gained from recent internal audit reports or externally issued guidance notes.

Any resultant changes to risks should be recorded in the assurance framework or the relevant risk register. It is possible that – following a change in the risk environment – a risk may move from the assurance framework to the corporate risk register, or vice versa.

Risk reporting is a regular mechanism to provide key updates to key stakeholders. It has the following benefits:

- The embedding of a consistent understanding of risks – existing and those that are emerging – across the Council, reducing uncertainty and promoting risk awareness;
- Monitoring progress in the management of risks to the target level;
- Enabling wider corporate awareness of the effectiveness of internal controls and providing information to support timely and informed interventions as required;
- Providing assurance to key stakeholders that risks are being effectively managed; and,
- Providing oversight of business activities, supporting responses to unplanned events that may threaten the delivery of corporate objectives.

Effective risk reporting is predicated on ensuring that the right and appropriately tailored and presented information is given to the right people, at the right level and at the right time.

Jesper Glasius, Risk Management Consultant
Zurich Resilience Solutions
16th November 2022

ZURICH®
Resilience Solutions

Risk Management Review

Risk Management Framework and Methodology

Reigate and Banstead Borough Council

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General Comment

Zurich Resilience Solutions (ZRS) were asked to provide feedback from an outside perspective in the process of updating the risk management strategy and methodology for Reigate and Banstead Borough Council.

These documentes define how risk management is perceived and applied within the council. In particular, the focus of this process was to have a view comparing the proposed documents with what is present throughout the local authority sector.

The process has resulted in a comprehensive and well worked strategy document. Structures and processes both evidence a risk management programme with clear definitions of roles and responsibilities. This is supported by the risk methodology which shows a good understanding of risk management practices and application.

The reviewed documents leave an impression of a well developed risk management strategy and methodology, which now includes a defined risk appetite statement and instructions for how to apply this risk appetite in the wider risk management process. This approach is comparable to what is present throughout the sector and conforms to guidelines such as "The Orange Book".

While no significant gaps were found in the risk management framework or methodology, the success of the update and risk management in general will be determined by it's application and organisational adoption of the strategy and methodology.

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Reigate & Banstead Borough Council

Risk management methodology

2023/24 to 2025/26

Contents

Introduction

This risk management methodology provides the information and additional detail that is required to apply the principles and achieve the objectives that are set out in the Council's risk management strategy.

The methodology sets out the roles and responsibilities relating to risk management across the Council and across the three lines of defence, as well as detailing the processes and procedures that collectively (and sequentially) comprise the Council's risk management cycle.

The methodology should therefore be read alongside the risk management strategy, where it follows a similar structure for the ease of use and reference.

The methodology is targeted at all levels of management at the Council, as well as the Council's Projects and Business Assurance team who provide support to the achievement of the Council's risk management objectives.

Identifying risks

Risk identification is the first step in the process of building an organisation's risk profile and developing risk awareness.

Processes for identifying risks

Risk identification is about identifying what could happen and what the impacts could be on the Council.

Risks should be considered at all levels of the Council and in all aspects of decision-making, including in setting priorities, objectives and in deploying resources. The identification and management of risk is the primary responsibility of service management at the first line of defence. Managing risk is a core component of effective, competent management and the Council is keen to empower first line service management to deal with risk effectively as part of business-as-usual.

It is important that all risks threatening the Council's objectives are identified and documented as a key first step in managing the risk to an acceptable level, as defined by the risk appetite. All risks, even those outside the direct control of the Council should be considered.

Examples of situations where risk should be considered include:

- As part of the **routine course of service and department management** (the first line of defence), where managers and Heads of Service are expected to design and manage their services to reduce risk (both service and corporate) as part of business-as-usual arrangements.

- During the **annual service and financial planning process**, which informs the Council's annual budget. Risks facing services should be considered and documented in each respective service business plan.

- On a **quarterly basis** alongside Heads of Service and the Senior Management Team, where existing risk registers and the Council's assurance framework is reviewed to identify if there have been any substantive changes to its contents and, by extension, the Council's risk profile, with appropriate action taken.

- During the annual update of the Council's **Medium-Term Financial Plan (MTFP)**. The MTFP highlights the key financial risks facing the Council and the action being taken to mitigate them.

- As part of developing and implementing any **policy or strategy.** Consideration must be given to how the Council's ambitions detailed therein may be adversely affected by risk, with appropriate action planned to control and/or mitigate the risk through various treatment options.

- When any **delegated or constituted decision-making body makes a decision**, the risks associated with the decision (or non-decision) must be considered.

- Throughout the **project and programme management life cycle**, including in developing the initial business case as well as ongoing implementation and reporting against it.

PESTLE analysis is a widely used business tool that involves identifying and evaluating political, economic, social, technological, legal and environmental factors that affect a business. It is particularly useful in risk management in identifying risks arising from the **external environment** and should be used as part of the annual service and financial planning process to support service design and risk management.

Political	Factors arising from the political environment, including the national, local and regional. Closely related to legal.
Economic	Factors which include economic growth, the fiscal environment, interest rates, exchange rates, inflation, wage rates, working hours and the cost of living.
Social	Factors that include cultural, health and wellbeing and wider demographic issues.
Technological	The development and impact of technology both on business operations and on customer/stakeholder expectations.
Legal	Changes in the legislative environment affecting the organisation.
Environmental	Impacts of climate change or how the environment affects business operations.

Not all risks are reasonably foreseeable or evident, however. Likewise, many risks are inherent and ever present, where the environment within which they exist may drastically shift

with little warning. Similarly, previously robust controls and mitigations may fail, drastically changing the wider control and risk environment. As such, it is crucial that the first line of defence is supported by other systems, processes and best practice to proactively identify risks or failures of controls so that appropriate management action may be taken. This support is provided by the second line of defence.

The role of the second line of defence typically includes assessing service compliance with agreed corporate and operationally defined standards. It also includes review activity to determine, in the context of risk, the extent to which standards, expectations and policies and procedures are set at the correct level and whether these are being met.

Full roles and responsibilities are set out in the roles and responsibilities section below.

The third line of defence is comprised of internal and external audit.

An independent internal audit function will, through a risk-based approach to its work, provide an objective evaluation of how effectively the organisation assesses and manages its risks, including the design and operation of the first and second lines of defence. All risks faced by the Council should be in the internal auditor's scope.

Internal audit's role is to identify potential weaknesses in systems, controls and procedures that may expose the authority to risk. Whilst internal audit highlights these weaknesses, it is the responsibility of management to design and implement actions that address them and, in so doing, control and mitigate risk.

External audit is responsible for reviewing and verifying the Council's annual statement of accounts. External auditors also have a duty to inform key stakeholders of matters of importance arising from their reviews, including governance and risk management concerns.

Recording risks

The Council has two core mechanisms for maintaining corporate visibility of risk:

- The assurance framework
- Corporate risk registers (strategic and operational)

Assurance framework

The assurance framework should record all principal risks faced by the Council and which are reasonably foreseen as part of service planning and the usual course of management. It should also include those risks that are regarded as being sufficiently controlled in accordance with the Council's risk appetite.

The assurance framework cannot reasonably or usefully be expected to identify every risk the Council faces in specific detail, or all specific permutations or situations within which risk may be manifested. Instead it should focus and group risks by high-level category – referred to as principal risks – for the ease, clarity and effectiveness of analysis. Doing so will also provide clarity of assurance to key stakeholders. The identification of sub-categories of principal risks may also be appropriate to aid its use.

Example principal risk areas include:

- Health and safety (staff and resident)
- Safeguarding
- Cyber security
- Business continuity
- Governance and decision-making
- Political and officer leadership (capacity and culture)
- Recruitment and retention
- Management (systems and processes)
- Legislation and regulations
- Financial
- Contracts
- Suppliers and supply chains
- Projects
- Civil emergencies
- Market factors
- Fraud (internal and external)

The assurance framework should be compiled annually as an output of service and financial planning. It should be reviewed quarterly as a basis for regular conversations with service management on risk, with any new risk areas added as appropriate.

The Projects and Business Assurance Team maintains the Council's assurance framework alongside service management and the Council's wider Senior Management Team.

Corporate risk registers

The Council maintains two corporate level risk registers: strategic and operational.

- **Strategic risk register:** risks that could have a negative impact on the Council's medium to long term objectives and priorities as set out in the Corporate Plan or other corporate level policies and strategies, including the Medium-Term Financial Plan (MTFP). Strategic risks typically originate from the environment within which the Council operates, though may also stem from an internal source – such as major project – if the impact merits its categorisation as a strategic risk.

  Members of the Council's Senior Management Team and Executive members have shared responsibility for strategic risks.

- **Operational risk register:** risks that are encountered in the delivery of services and which affect service objectives. These risks are ordinarily managed as part of the usual course of management by services, including their business-as-usual activities and projects that are being delivered. However, where the operational risk cannot be managed within the service or if its score is outside of the Council's risk appetite, then it should be considered for inclusion in the operational risk register.

  Heads of Service and service managers have responsibility for operational risks.

Risk registers deal with risks of current concern; that is, risks that are not sufficiently controlled and/or mitigated in accordance with the Council's risk appetite.

Risks on the risk register are likely to be specific manifestations of principal risks and/or those that are situationally specific and the outcome of a particular constellation of circumstances, including previously 'unknown unknowns' and which present a threat to the Council until they are sufficiently controlled and/or mitigated. They may also arise from a breakdown of current controls and/or mitigations, either due to a change in the risk environment or from a degradation in the Council's internal control environment.

To be clear, risk registers are distinct from the assurance framework in that they are separate documents. The assurance framework, in order to heighten risk awareness and support

effective governance, should list all theoretical, principal risks facing the authority. Risk registers deal with risks by exception, and which are of current concern given their assessment and scoring in terms of the Council's risk appetite.

Risks will remain on the appropriate corporate risk register until they are treated to the desired level.

Additional detail on risk monitoring and reporting is provided below. At this point, however, it is important to note the following:

- Corporate Governance Group is responsible for maintaining and approving the Council's assurance framework as part of its governance role. It does so in close collaboration with the Executive and, in so doing, benefits from comments and/or observations made on its contents by the Audit Committee.

- The Executive is ultimately responsible for approving the strategic risk register and changes made therein – including closing risks and raising new risks – following recommendations made by Corporate Governance Group and any observations made by the Audit Committee.

- Corporate Governance Group maintains oversight of the operational risk register, including its annual compilation and in adding in new risks or closing existing risks. Operational risks are reported to the Executive when they are at a level of concern (red rated).

The assurance framework and risk registers support one another and represent the successful and mature operation of the Council's risk management cycle. They are fundamental, supporting components of effective risk management, governance and control through giving management and key stakeholders confidence that the Council's risk management profile is comprehensive and well understood, is supported by an effective control environment and that management attention is being focused in the right areas.

It is important to note that risks may also be captured in other key corporate and management documentation, including in committee reports, project level risk registers and health and safety reports, amongst many others. The corporate assurance framework and risk registers do not hold the monopoly on documenting risks. Instead, the assurance framework should document high-level, principal risks and avoid unnecessary granularity, whilst the corporate risk registers should document risks that are of current concern and are receiving concerted management attention.

Describing a risk

Once a risk has been identified it should be described. It is important that a risk should be described clearly so that it is fully understood and to assist with the identification of controls and mitigations, both current and potential. A clear risk description also helps with assessing the likelihood and impact of risks.

The risk description should avoid being lengthy and detailed, though should give sufficient information to clearly understand the cause and potential consequences or impacts of the risk.

The risk description should:

- Set out the **cause** of the risk. This refers to the relevant context and background. A cause may be a discrete element or an event or occurrence which either happens or does not happen in giving rise to the risk.

- Set out the **consequences** of the risk should it occur and which will need to be managed, with particular reference to the impact on objectives.

Once a risk has been identified it should also be allocated a risk owner.

A risk owner is the officer(s) and relevant Executive Member that owns the impact of the risk should it materialise. They are ultimately accountable for controlling and mitigating the risk to the desired level and minimising its potential impact on the Council's objectives. Risk owners are usually Heads of Service, though, depending on the risk, may also include members of the Senior Management Team.

To aid ownership and accountability there should be as few risk owners as necessary, though risks that are cross cutting in their nature may necessarily have more than one owner.

The risk owner may not have primary operational responsibility for implementing controls and/or mitigations related to the risk, which may be delegated to another team or department within the Council. The officer risk owner is ultimately accountable for the risk and its mitigation, however, and should therefore have sufficient authority and seniority to identify, prioritise and deploy resources to manage risks in accordance with the Council's risk appetite.

Assessing and analysing risks

Once a risk has been identified it must be assessed to ascertain the potential impact and for treatment options to be designed.

Risk appetite

It is good practice for an organisation to articulate and communicate its appetite for risk with a formal risk appetite statement. The risk appetite statement provides a sound management foundation for risk management and exercising effective internal control across the organisation.

Whilst an overall risk appetite may be articulated, it is important to note that the Council's risk appetite varies by the category of risk, the detail of which is set out below.

Risk appetite statements can be used in two core ways:

1. When considering and evaluating the best response to risks threatening corporate objectives; and,
2. When making decisions and considering the risk implications of accepting or rejecting a course of action.

Defining the limits of a risk appetite is about identifying at what point decisions regarding the management of a risk are escalated for decision and/or wider corporate awareness. Risk appetite forms part of the overall framework around which decisions are made at the Council. Risk appetite should not be applied as a rigid target, but instead serves as a guide to the levels of risk that we are willing to take if supported by a strong consideration of all relevant factors.

Risk, and the Council's appetite for it, should be considered in all aspects of decision-making and not just when management considers formal risk management reports, such as its quarterly receipt of risk registers.

A clear, well understood risk appetite statement helps ensure:

- Risks are appropriately considered in decision making and that acceptable outcomes are achieved;
- Responses to risks are proportionate;
- Consistency in decision-making with respect to risk from across the Council's functional business areas;
- That the accepted risks are commensurate to the opportunity or reward to be gained;

- Corporate oversight and understanding of the Council's diverse range of risks, underscoring effective management and corporate governance; and,
- Risk controls and mitigations (either those for inherent risks and those of concern) are appropriately tailored to the level of risk faced.

The risk appetite of the Council varies on the nature of the risk and the impact therein. As such, the risk appetite is segmented on the basis of categorising the impacts of risk.

The risk categories are as follows:

- **Environmental –** risks that concern the environmental impact of Council services and investment priorities.

- **Financial (revenue) –** risks related to not achieving income and savings targets, as well as the incurrence of unexpected costs. It covers both internal budgetary pressures and external macro level economic changes, such as changes to funding agreements with central government and other agencies.

- **Financial (capital) –** risks associated with the council's assets and investment in physical infrastructure, such as property or the council's fleet vehicles, financial assets, and investment portfolio.

- **Sociocultural –** risks of not meeting – or jeopardising – the needs of residents or worsening social outcomes. This could arise from not responding to changes in demographic or socio-economic trends that impact on the Council's ability to meet its objectives. The consequence of these risks could be credibility loss or a diminution in trust.

- **Corporate objectives –** these are risks that will put corporate plan delivery and other strategic policies at jeopardy. These risks, if likely to materialise, may cause consideration of the hierarchy of the Council's objectives and whether some must be prioritised over others.

- **Operational –** risks associated with the delivery of day-to-day services. This includes maintaining the resilience of the organisation, such as capacity and workforce risks; the failure to meet service plans that impact the achievement of objectives set out in the corporate plan; health and safety of employees; and adequate delivery of statutory duties.

- **Legal/reputational –** risks that can result in legal challenges and being subjected to litigation and external sanction. These risks include non-compliance with legal frameworks and statutory requirements, employment, health and safety processes etc. It also includes risks of the changing national regulations that could threaten the Council's operations and processes. Included in this category are risks that would result in negative reputational impacts.

- **Technological –** risks that are connected with technology, including the protection of data and the integrity of internal systems as well as how technology processes work for both internal (officers) and external (residents) stakeholders. This also includes the adoption of new systems and the maintenance of legacy systems as well as the security awareness of officers to keep information secure as well as the capacity of the Council to deal with technological advancements and changing demands.

Risk appetite statement

In pursuit of its wider strategic objectives, the Council recognises that it will be required to take calculated risks.

Overall, the Council **prefers a cautious approach to risk** but acknowledges that it in some areas it is necessary to accept higher levels of risk to ensure the achievement of objectives.

The Council's risk appetite will be subject to review on a three yearly basis as part of the regular, cyclical review of the Council's risk management strategy – or more frequently if necessary.

The Council's risk appetite statements on the above categories are set out in the table below.

It should be noted that the risk appetite statements apply to the level of residual risk. Residual risk is the level of risk after controls and mitigations have been applied.

Risk appetite statements by category

Risk category	Appetite	Risk appetite statement
Environmental	**Averse**	We will only accept the risk of negative impact to the environment from our activities (which could take the form of direct negative outcomes for the environment or delays to our commitment of reducing emissions and environmental impacts) where we can demonstrate clear benefits of accepting this risk when weighed against other considerations and other risks.
	Cautious	
Financial – revenue	**Cautious**	We will only take measured risks and prefer initiatives where we can be confident in positive outcomes in order to preserve our ability to pursue significant returns when the opportunity arises and conditions are right.
Financial – capital	**Open**	We acknowledge that investment comes with risk, and we are willing to be open in our approach. This means that we are prepared to accept higher levels of risk but aim to do so in a controlled manner.
Sociocultural	**Open**	We are willing to make decisions that could prove to be unpopular in the short term, where clear benefits can be demonstrated in the medium and longer term.
Corporate objectives	**Open**	We will set ambitious, and sometimes aspirational, targets with the understanding that we might risk delays, non-delivery or later adjustment of some corporate objectives.

Risk category	Appetite	Risk appetite statement
Operational	**Open**	We accept that change initiatives carry short-term risks of compromising some operational areas for a limited time. Exceptions are health and safety of staff and residents, and statutory duties, where there is a very low appetite for risk of lapses or non-compliance.
Legal/ reputational	**Cautious** **Open**	We will explore areas of opportunity within legislation, and we are willing to defend our position where challenge could occur. However, we are reluctant to incur the risk of significant reputational damage or external sanction.
Technological	**Cautious**	We will be cautious with technology related risks. When we look to upgrade and deploy new technology, we prefer investing in proven solutions although we are conscious of the risks associated with not acting in time or applying continuous upgrades and maintenance.

Note – the colours in the appetite column correspond to the risk scoring matrix below.

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Risk assessment: analysing and evaluating impact and likelihood

Whilst the risk appetite sets out the overall level of risk that the Council is prepared to accept in pursuit of its objectives, it is necessarily high level. In order to apply the risk appetite effectively and ensure it guides decision making, the overall risk appetite must be underpinned with individual, robust risk assessments following the risk identification process.

Whilst each risk may be important on its own, a degree of measurement is required to evaluate its overall significance, thereby supporting effective and risk informed decision-making. Without a standard for measurement and comparison it is not possible to effectively compare and prioritise the various possible responses to risks.

Prioritisation is predicated on the undertaking of robust risk assessment which, in turn, incorporates effective risk analysis.

Risk analysis must use a common and overarching set of risk scoring criteria to foster a consistent interpretation and definition of risk, based on an assessment of the **likelihood** of the risk occurring and the type and level of **impacts** that are expected should it do so.

The upshot and ultimate purpose of this process is to use the insight gained to evaluate the extent to which the identified risks align with the Council's risk appetite. Doing so helps determine what, if any, action is required or whether the current controls and/or mitigations are excessive and out of proportion to the risk faced.

Identified risks must therefore be analysed and scored on a **likelihood and impact matrix**.

In terms of **likelihood**, the following levels are used:

- **Almost certain (5)**   Very likely to happen (>80% chance)
- **More than likely (4)**   Likely to happen (60-80% chance)
- **Possible (3)**   Might happen (30-60% chance)
- **Unlikely (2)**   Unlikely to happen (10-30% chance)
- **Rare (1)**   Highly unlikely to happen (<10% chance)

The timeframe for assessing the likelihood of a risk occurring is within the next two to three years.

Once the likelihood has been assessed, the **impact of the risk** should then be considered. The risk impact scoring matrix below sets out the impact categories and thresholds to be considered when scoring the impact of a risk. It also defines the relationship to the Council's risk appetite, with additional information on this set out in greater detail later.

Risk impact scoring matrix

	1 **Almost none**	2 **Minor**	3 **Moderate**	4 **Significant**	5 **Grave**
Environmental	Little or no impact on the local environment	Short term minor local impact	Medium term, moderate and reparable local impacts **(2)**	Large scale and long-term damage to the environment **(1)**	Extensive and potentially irreparable damage to the environment **(1)**
Financial – revenue[1]	<0.1% of net revenue budget	0.1-0.5% of net revenue budget	>0.5% of net revenue budget **(2)**	0.6-1% of the net revenue budget **(1)**	>1% of the net revenue budget **(1)**
Financial – capital[2]	<0.1% of the capital programme	0.1-0.5% of the capital programme	0.5-1% of the capital programme **(4)**	1-2% of the capital programme **(3)**	>2% of the capital programme **(2)**
Sociocultural	Little to no negative impact to community resilience and social cohesion	Short term impact on community resilience and social cohesion	A section of the community impacted for the medium term. Some loss of credibility for the Council **(4)**	Long term, significant community impacts. Trust in the Council compromised **(3)**	Community resilience and social cohesion is severely compromised **(2)**
Corporate objectives	Up to 5% variation in achievement of corporate targets	5-20% variation. Workaround required within RBBC resources to deliver objective	20-40% variation. Resources must reassigned and prioritised **(4)**	40-60% variation. Reconsideration of viability of corporate objectives **(3)**	>60% variation. Unable to deliver objectives. Failure to meet community needs **(2)**
Operational	Little to no impact to service delivery	Failure to meet standard customer expectations and needs	Failure of several non-statutory services **(4)**	Temporary loss or disruption to critical services **(3)**	Sustained loss of disruption to critical services **(2)**
Legal/ Reputational	Minor adverse publicity in the local media	Sustained local media and online criticism. Potential for minor financial penalties	Adverse publicity in the national media. Potential for legal sanction and/or moderate fine **(2)**	Negative national media attention or criticism from an external agency. Litigation likely with some defence **(1)**	Sustained negative national media coverage. Penalties likely with little defence from litigation **(1)**
Technological	Negligible service disruption of less than 0.5 days. Critical systems unavailable for less than 1 hour	Disruption of service for 1-2 days. Critical systems unavailable for up to 0.5 days	Disruption of service for 3-7 days. Critical systems unavailable for up to 1 working day **(2)**	Disruption of service for 7 to 21 days. Critical systems unavailable for 2 working days **(1)**	Disruption of service >21 days. Critical systems unavailable for more than 2 working days **(1)**

(#) is the lowest LIKELIHOOD score that, when multiplied by the IMPACT score, would most likely render the risk outside of appetite. The colour corresponds to the risk scoring matrix should this threshold be breached (see below). See the guidance notes below for additional information.

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[1] The net revenue budget in 2022/23 was £19.8 million
[2] In 2022/23 the total capital programme value was £52 million

The likelihood and impact scores are then combined to give an **overall risk score**. This is done by multiplying the likelihood score by the impact score.

The total risk score is then plotted on a scoring matrix to illustrate the risk scoring visually:

IMPACT		(1)	(2)	(3)	(4)	(5)
Grave	(5)	5	10	15	20	25
Significant	(4)	4	8	12	16	20
Moderate	(3)	3	6	9	12	15
Minor	(2)	2	4	6	8	10
Almost none	(1)	1	2	3	4	5
		(1)	(2)	(3)	(4)	(5)
LIKELIHOOD		Rare	Unlikely	Possible	More than likely	Almost certain

It is important that identified risks should be **scored and assessed** on the following three points:

1. **The inherent risk –** refers to an analysis focused on identifying the likelihood and impact of a risk occurring without any controls or mitigations in place.

   A risk control is a process, policy or activity that reduces the likelihood of a risk materialising, whilst a risk mitigation reduces the impact should it do so.

   The analysis should be done alongside the identified risk owner and relevant service area.

2. **The current risk –** refers to analysing and assessing the current controls and mitigations that are in place to reduce the likelihood and impact of a risk materialising. Risk control and mitigation are not exclusive, binary concepts. They should be designed by management to work together to reduce the overall impact of risk on the Council in a balanced and proportionate way.

   The analysis should be substantive though proportionate and based on evidence. Any limitations of the evidence should be recognised.

   As with assessing inherent risk, the assessment of the current risk must be done alongside the risk owner and the relevant service to harness their specialist knowledge. However, it may also be appropriate to draw on other sources of assurance, including internal audit reports as well as any other relevant pieces of consultancy or advice.

   As part of this process, it is important that the risk controls and mitigations are clearly documented, at a minimum, on the Council's assurance framework. The assurance framework considers *principal risks* and so the content relating to controls and mitigation should be tailored appropriately.

   Assessing the current risk must be done with reference to the Council's **risk appetite** by category. The impact table set out above details how the overall risk score (arrived at by multiplying the impact by likelihood) relates to the Council's risk appetite. The impact table sets out the *minimum* likelihood value that, when multiplied by the impact score, would likely render the risk outside of appetite.

   Risks invariably have multiple impacts and so the highest scoring category should be used to score the impact of the risk. Moreover, due to the individual nature of risks, the table and the relationship to the Council's risk appetite should be used as a guide, with appropriate discretion exercised in application, particularly where gaps in information exist or where its quality or certainty is in doubt.

   If, following assessment, the risk score is **within the Council's risk appetite** as set out above, then no further action is required. The risk (in its high level, principal form) and the corresponding controls and mitigation should be recorded on the assurance framework for review at a later date (likely at the end of the next quarter).

   However, if the risk score is **outside of the Council's risk appetite** as set out above, then the risk should be considered for inclusion on the relevant corporate risk register for wider corporate awareness and oversight.

   Risk treatment options – i.e. new controls and mitigations – are considered below.

3. **The target risk –** is concerned with where management are aiming to treat or manage the risk to. The target risk sets out the desired and acceptable end point of the risk management cycle.

   For purposes of governance and the exercising of effective internal control, the target risk should be documented for all risks that have been identified.

   The target risk must be set with reference to the Council's risk appetite which defines the levels of risk the Council is prepared to accept.

   Setting the target risk is crucial to evaluating and confirming the adequacy and effectiveness of (a) the current controls and/or mitigations; and (b) the new controls and/or mitigations proposed in response.

   The target risk score should be set at a realistic level and recognise the Council's ability to influence the risk. It is certainly possible – and likely – that, for certain risks where the Council has limited scope to act, the current risk score may remain in excess of the target score. These risks should still be documented as appropriate, however, to maintain the effectiveness of the Council's risk profile.

   Additional detail on risk treatment options is set out in the section that follows.

Treating risks

Risk treatment is ultimately concerned with selecting the most appropriate course of action for managing a risk and returning it to within the accepted corporate risk appetite, balancing the potential benefits of action against the costs and disadvantages, as well as against the Council's ability to influence or act against a risk.

The Council's approach to risk management (as set out in the three lines of defence model) delegates primary responsibility for managing risks to service management. The effective, collective functioning of the three lines of defence model should therefore largely deal with risk management as business as usual, with risks identified and management processes designed to minimise and treat risk in accordance with the Council's risk appetite.

It is important for purposes of governance and the exercising of effective internal control that risk treatment is carried out in a standardised way, with adequate ownership and oversight maintained. The process articulated below should apply as part of effective, routine service management and not just for risks deemed to be of concern and captured on the corporate risk register.

Actions and options

The risk owner is responsible for treating the identified risk and taking action to move it to being within the risk appetite or, if this is not possible, to take action to return it to a level that is as close to being acceptable as possible. This will in most instances take the form of designing and implementing a range of actions or measures which will reduce the likelihood of the risk materialising (a control), and/or the impact should it do so (a mitigation).

These actions should be specific, measurable, achievable, relevant and time-bound (SMART) and should be regularly reviewed and reported on. The process for risk monitoring and reporting is set out below.

Before designing treatment options, risk owners should carry out an options appraisal to gauge the most effective and advantageous course of action. There is no expectation that this should be formally documented and reported on, though risk owners may decide that doing so is appropriate in certain instances, such as where considerable costs are involved, where the overall impact of the risk is significant or where other Council governance and decision-making processes require it. Such an appraisal would likely form a key part of any business case where additional or unbudgeted costs are to be incurred as part of a management response.

Risk owners will be supported in carrying this out by the Council's Projects and Business Assurance team who provide advice as part of their second line of defence function, as well as any other services at the second line of defence.

The options appraisal should consider how to treat the risk on the following basis:

- **Avoidance –** simply stop doing the activity that creates the risk, or elements therein. This may not be possible or desirable, however, particularly where the risk is unavoidable or arises from activity that the Council is obliged to undertake. Risk avoidance must also be balanced against the effect of doing so on the Council's objectives and how this reconciles with the wider risk appetite. Indeed, there are invariably risks associated with ceasing an activity and which must be likewise considered to give a rich, fulsome picture of the Council's wider risk profile.

- **Transfer –** transfer all or part of the risk to another party, such as to insurance or to an agency or contractor. The risk owner still maintains ultimate ownership of the risk, however. There will likely be costs associated with this course of action, however, and these must be considered appropriately.

- **Reduce –** take steps to reduce the likelihood and/or impact of the risk, such as introducing new or modifying existing controls and mitigations.

- **Accept –** accept the risk and take no measures to reduce the likelihood and/or impact. This is not ordinarily a recommended course of action, though if the risk is outside of the Council's control it then it may be the only option available.

Depending on the risk, the pursuit of a combination of these options may be appropriate.

The appraisal should consider the associated costs, resources, time pressures and potential financial and non-financial benefits of any course of action. Advice from specialist staff – including those at the second and third line of defence – should be taken where appropriate.

It is worth noting that the benefits of action will not always be solely financial. Risk owners must therefore use their professional knowledge and judgement to ascertain whether costs are justifiable in terms of non-financial benefits to the Council. On occasion, it may thus be reasonably concluded that the costs of action outweigh the perceived benefits.

However, it is imperative that any chosen option should be well reasoned, proportionate, effective, lawful and in full conformance with standards of good and ethical governance.

Costs should not be the overriding determining factor in implementing risk treatment options, however. At a minimum, all categories set out it the risk appetite should also be considered to ensure that risk treatment aligns with the Council's risk appetite.

As part of selecting and developing risk treatments, the risk owner is responsible for defining how the chosen option(s) will be implemented in a way that is well understood by key parties and stakeholders. This should include:

- The rationale for the option(s) chosen, including the expected benefits;
- The proposed actions (e.g., implementing new controls and/or mitigations);
- Identifying those that are accountable and responsible for the implementation of any actions arising;
- The resources required;
- Any key performance indicators that may be used to demonstrate progress of implementation or any other indicators which may demonstrate a change in the nature of the risk or control environment;
- When actions are expected to be undertaken and completed by; and,
- Any constraints and dependencies to be aware of.

Ultimately, the category of treatment option chosen, as well as all controls and mitigations, should, as required, either be recorded on the Council's assurance framework or the relevant corporate risk register.

Whilst the former sets out principal risks which are regarded as being sufficiently controlled, the latter sets out current risks of current concern. As such, corporate risk registers will necessarily include greater specific detail on the control and/or mitigation of risk.

Risk monitoring and reporting

The Council's risk profile should be regularly monitored and reported on. This is because:

- Previously identified risks may change over time and treatment options may require adaptation;
- The internal control environment may degrade and action is required as a result;
- Previously unknown or new risks may emerge, with current controls and/or mitigations possibly proving inadequate; and,
- Following management attention or a change in circumstances, known risks may merit closure.

Monitoring and reporting are two distinct though mutually reinforcing processes that underpin the effective operation of each stage of the risk management cycle.

Risk monitoring involves teams and functions from across the three lines of defence model.

Whilst each line of defence and team therein has its own distinct functional role, they should operate in an integrated way to support the ongoing development of understanding on the Council's risk profile and how this may change over time. It provides assurance that risk controls and mitigations are operating as intended to provide reasonable assurance over the management of risks to an acceptable level, as defined by the Council's risk appetite.

Risk monitoring should thus be carried out before, during and after the implementation of risk treatment options for those risks that are being given active management attention (and therefore set out on the relevant corporate risk register), as well as those that have been identified as being sufficiently controlled and/or monitored (and therefore set out on the assurance framework).

The results of risk monitoring are incorporated into the Council's wider performance management and governance activities and must be reported and communicated to stakeholders as appropriate.

Monitoring

Risk monitoring is fundamentally within the scope and remit of service management, given that the Council's risk management strategy empowers them to manage risk as part of business-as-usual arrangements.

As experts in their field first line management are responsible and accountable for designing and implementing adequate risk monitoring processes as part of effective service

management and in accordance with the Council's constitution and scheme of delegation. They are supported by specialist services found at the second and third lines of defence (internal and external).

There are many ways in which risk existing risks may be monitored by the first line of defence, including:

- Monitoring of trends, key performance indicators or other contextual indicators which may suggest a change in the control and/or external environment;
- Deep dive reviews into particular risk areas, either carried out by management or commissioned by teams at the second and third lines of defence;
- Learning from incidents, issues and/or the experiences of others or wider sector best practice;
- Testing of the effectiveness of identified controls and mitigations; and,
- Horizon scanning for changes in the external risk environment, using tools such as PESTLE as set out above.

Taken together, the Council's assurance framework and corporate risk registers serve as a comprehensive record of the risks faced by the Council and are key corporate control documents for risk monitoring.

The assurance framework and corporate risk registers must be reviewed at least on a quarterly basis, though management are encouraged to do so more regularly if necessary as part of the usual course of service management.

The Council's Projects and Business Assurance team will support service management in undertaking risk monitoring via the quarterly risk management review process.

The quarterly risk management review process will review all identified risks alongside the risk owner – namely, those principal risks set out in the assurance framework and the risks of concern set out in the corporate risk registers.

The quarterly risk management review will:

- Consider whether the risk description continues to adequately cover the risk (particularly important for the risk registers, given their specificity);
- Critically assess the prevailing effectiveness of controls and/or mitigations that are in place;
- Ensure the recorded controls and/or mitigations are up to date and reflect the latest position;
- Review and confirm the inherent, current and target risk scores to ensure they are accurate and reflect the current situation; and,

- Consider whether any further action or escalation may be required.

The quarterly risk management review process will also consider whether any new risks have emerged in accordance with the process as set out in the risk identification and assessment section of this methodology.

Not all risks are reasonably foreseeable or evident, however, and may not be recorded on the Council's assurance framework and/or corporate risk register. Likewise, many risks are inherent and exist perennially, where the environment within which they exist may drastically shift with little warning. Previously robust controls and mitigations may also fail, changing the internal control and wider risk environment.

It is therefore crucial that the first line of defence is supported by other systems, processes and best practice to monitor and review the Council's risk profile so that appropriate, corrective management action may be taken. This support is provided by the second and third lines of defence.

The second line of defence provides the overarching policies, frameworks, tools, techniques, and support to enable risk and compliance to be managed effectively by the first line, and conducts monitoring activity to judge how effectively this is being done. It may take the form of bespoke, commissioned pieces work, or may be undertaken as part of the second line's 'business-as-usual'. In any case, the second line of defence is a key source of assurance in the context of risk and must be drawn upon as part of the quarterly risk review process.

The second line of defence should not solely rely on the corporate risk monitoring and review process to escalate concerns and should have a direct reporting route into senior management via Corporate Governance Group should any concerns arise.

The teams in the second line of defence as set out in the risk identification section of this methodology will exercise a similar function in risk monitoring; full roles and responsibilities are set out in a later section of the methodology.

The third line of defence relates to independent, external assurance in risk monitoring and is largely focused on the roles of internal and external audit.

Internal audit, through its annual risk-based audit plan, will provide an objective opinion on governance, risk management and internal control. It sits outside of the first and second lines of defence, where its main role is to ensure that the first two lines are operating effectively and to also advise how they may be improved. The Council's assurance framework and corporate risk registers are key sources of information in helping to direct internal audit activity.

Internal audit reports to Corporate Governance Group and the Audit Committee. Matters of concern arising from internal audit reviews should be included within the assurance framework and/or corporate risk registers as appropriate.

External audit reviews and verifies the Council's annual statement of accounts. External auditor has a duty to inform key stakeholders of matters of importance arising from their reviews, including governance and risk management concerns. Any such findings made by external audit will be acted upon by management and the political leadership as necessary.

Reporting

Risk reporting is the ultimate output of risk monitoring. High quality and timely reporting provides assurance to key stakeholders that the risk management cycle is working effectively and as intended. It has the added benefit of helping ensure that the organisation's risk profile is well understood, supporting key stakeholders to focus their attention on areas of where they may add greatest value.

Risk reporting aims to:

- Transparently and effectively communicate risk management activities and outcomes across the Council and to key stakeholders;
- Provide information for robust and informed decision-making;
- Improve risk management activities; and,
- Assist stakeholders exercise their roles and responsibilities with respect to risk management.

Risk reporting should be:

- **Collaborative –** in aligning with other processes and mechanisms across the Council, and also drawing on the insight and expertise of the relevant risk owners and contributors.

- **Evidence based –** in making use of appropriate management information to provide assurance on risk as well as in containing the information necessary for the reader to make decisions or fulfil their role.

- **Focused on the delivery of objectives –** through providing the information required for risk informed decision-making as required.

- **Informative –** through providing a clear understanding of risks, confidence in the assessment of the treatment of risks and the taking of prompt corrective action.

- **Integrated –** through being integrated with other governance processes across the three lines of defence.

- **Tailored –** in being appropriately adapted to the intended target audience.

The **assurance framework** is set and reported annually to Corporate Governance Group, the Audit Committee and the Executive. Its annual reporting gives these groups assurance in their respective governance roles that there is a rich and comprehensive picture of the Council's risk profile. It provides assurance that controls and/or mitigations have been identified or implemented by management, rendering these risks adequately controlled in accordance with the Council's risk appetite.

The assurance framework should be reviewed on a quarterly basis, with amendments and additions made as appropriate.

The **corporate risk registers** – given that they report on current risks of concern and where management attention is being focused – are reported to Corporate Governance Group, the Audit Committee and the Executive on a quarterly basis.

Operational risks are reported to the Audit Committee and Executive where their rating is 'red', as per the risk scoring matrix.

A summary of the Council's risk reporting arrangements is provided in the table below. the table should be read alongside the list of roles and responsibilities relating to risk which is provided in the section that follows.

Output	Reported to	When
The assurance framework (for the next financial year)	Corporate Governance Group The Audit Committee The Executive	As part of Q3 reporting each year, ahead of the next financial year
Strategic risks (for the next financial year)	Corporate Governance Group The Audit Committee The Executive	As part of Q3 reporting each year, ahead of the next financial year
The assurance framework (for the current financial year)	Corporate Governance Group	As part of Q2 and Q4 reporting
Strategic risk register – updates	Corporate Governance Group The Audit Committee The Executive	Quarterly
New strategic risks	Corporate Governance Group The Audit Committee The Executive	Quarterly
Operational risk register – updates	Corporate Governance Group To the Audit Committee and the Executive if 'red' rated.	Quarterly
New operational risks	Corporate Governance Group	Quarterly

The assurance framework and corporate risk registers are made available to all staff and members of the Council via the Council's intranet and document portal.

Roles and responsibilities

Effective risk management is founded on well-established and understood roles and responsibilities.

The Council operates a three line of defence model in respect of risk management. The model is predicated on the threefold notion that:

(i)   Risk should not be left to risk management specialists;

(ii)   Everyone in the Council has some responsibility for risk management; and,

(iii)   The varying roles, parts and levels of the Council play different, but complementary, roles within effective risk management. It is the interplay between these roles that determines how effective the organisation is in managing risk and is of fundamental importance to the delivery of effective corporate governance.

The successful operation of the Council's risk management strategy is founded on the roles and responsibilities set out in the sections below. It is organised around the three lines of defence to help illustrate where each function and team resides within it.

It is not intended to be exhaustive, though nevertheless serves as a useful guide to the various roles and responsibilities that are found at the three lines of defence and beyond.

At the first line of defence

Heads of Service and service management (managers/team leaders) will:

- Identify, implement and maintain effective internal controls to manage risk on a day-to-day basis and in accordance with the Council's risk appetite.
- Ensure the ongoing adequacy and effectiveness of identified controls and take any remedial action as required.
- Proactively identify potential risks which could affect the delivery of services and ensure that these are recorded and managed appropriately, in full accordance with the risk management strategy.
- Ensure staff within the service/team understand the potential risks facing the service and wider organisation and that they are aware of how to escalate concerns.
- Ensure that staff are adequately trained in accordance with key service and corporate controls.
- Seek the support from other services as and when required.
- Escalate concerns relating to risk as appropriate.

- Ensure that the appropriate Executive Member(s) is briefed on all key risks facing the service.
- Ensure that risks are considered in all aspects of decision making.
- Ensure that risk is considered as part of the annual service and financial planning process and ultimately that their section within the Council's assurance framework is comprehensive and robust.
- Act in collaboration with other services and/or organisations as appropriate.

Risk owners will:

- Take accountability for the identified risk and its control and/or mitigation, including reporting on progress of risk treatment.
- Act in collaboration with other services and/or organisations as appropriate.

All Council employees will:

- Act lawfully and ethically at all times and within the Council's constitution, scheme of delegation and employee code of conduct.
- Maintain a good awareness of the types of risk that the Council faces.
- Follow all service and corporate risk controls and/or mitigations adequately and faithfully.
- Understand how to identify, report and control and/or mitigate risk.

At the second line of defence

Emergency planning and business continuity will:

- Mitigate risk through the creation of robust emergency plans and operational arrangements that enable the Council to respond to a range of civil emergencies in accordance with its statutory responsibilities.
- Support services to systematically manage the risk of service disruption due to a range of business continuity events, ensuring any weaknesses are understood and that controls and mitigation measures are in place to overcome any disruption and to maintain the delivery of core services as far as is reasonably practicable.
- Support in the recovery from emergency incidents and/or business continuity events.

Democratic Services will:

- Ensure that processes and procedures are designed and implemented allowing decisions to be made and authority exercised in accordance with the constitution and

scheme of delegation, in full conformance with prevailing standards of good corporate governance in local government.

- Maintain the code of corporate governance and annual governance statement.
- Manage the corporate complaints process. Identify where complaints have risk management implications and escalate as appropriately.

Data protection will:

- Ensure that the Council maintains high standards of data protection and information governance and acts in conformance with the Data Protection Act (2018), as well as all other appropriate statutory guidance.

Corporate Policy, Projects and Performance will:

- Maintain the Council's risk management strategy which sets out the Council's overarching approach to the management of risk.
- Support the effective operation of the Council's risk management cycle, including by undertaking quarterly risk management reviews with Heads of Service and Senior Management and reporting on risk to appropriate governance groups, including the Audit Committee and Executive.
- Support service management in their primary risk management role and help coordinate the activities of other services at the second and third lines of defence.
- Support the establishment of effective operational and strategic relationships between risk management and all other corporate governance processes, including annual budgeting and service and financial planning, as well as performance management.
- Monitor and report on corporate and service performance in accordance with the Council's performance management framework. Escalate performance and compliance issues that have a relation to risk management as appropriate.
- Maintaining a comprehensive knowledge of the wider local government policy context and potential risks residing therein. Use this insight to support services in the management of risk.
- Provide training to staff on the Council's approach to risk management.

The Programme Management Office (PMO) will:

- Maintain and ensure the effective operation of the Council's project and programme management frameworks, which helps ensure that projects and programmes are initiated on a sound business case and are delivered efficiently and with due regard to the management of risk.

Finance will:

- Design and apply the Council's core financial controls to ensure that the public money administered by the Council is spent effectively and is appropriately accounted for.
- Maintain the Council's insurance arrangements and ensure that the Council has adequate and proper insurance cover against risks that are faced.

Fraud will:

- Provide a proactive and reactive counter fraud service to support all departments within the Council in cases of suspected internal or external fraud.
- Maintain the Council's anti-fraud and anti-corruption policies, as well as the whistleblowing policy.
- Provide fraud awareness training for staff to help them recognise and report the signs of fraud.

Human Resources will:

- Ensure the ongoing effectiveness of the Council's employment practices and policies and likewise monitor staff and service compliance.

Legal will:

- Provide appropriate legal advice to ensure that the Council acts lawfully in its business.
- Defend the Council's interests if the Council is subjected to legal challenge.

Procurement will:

- Maintain the Council's procurement and contract management strategies.
- Support services to derive best value from contracts and spend.
- Monitor the Council's compliance with the contract procedural rules and all public procurement legislation and requirements.

Corporate health and safety will:

- Provide competent health and safety advice to support services to maintain staff and resident welfare.
- Ensure that accident and incident investigations are carried out, with lessons learned implemented and any required preventive action taken.
- Maintain corporate risk assessments and support services to maintain departmental level risk assessments.
- Regularly review the Council's health and safety management system to ensure its effectiveness and compliance with all legislative requirements.

Information Technology (IT) will:

- Implement and maintain the Council's IT strategy. The strategy sets out the specific measures and controls to protect and defend the Council's systems and data from attack, malicious or otherwise.
- Maintain the Council's disaster recovery plan and procedures to support recovery from an IT security incident or business continuity event.

At the third line of defence

Internal audit will:

- In adopting and following a risk based internal audit plan and charter, identify potential weaknesses in systems, controls and procedures that may expose the authority to risk.
- Operate in accordance with the prevailing public sector internal audit standards.
- Report findings to the Audit Sponsor, Corporate Governance Group and the Audit Committee.
- Produce an annual report and opinion on the overall effectiveness of risk management and control at the Council.
- Use the assurance framework and corporate risk registers to inform the annual risk based internal audit plan.

External audit will:

- Report any concerns relating to risk management arising from the audit of the statement of accounts to the appropriate body.

Governance roles and responsibilities

As noted above, constituted governance bodies and senior management are not considered to reside within a line of defence in the model. Instead, they are key stakeholders that themselves are served by the collective operation of the three lines of defence.

However, each governance body has varying governance roles and responsibilities, the detail of which is set out below.

All Members of the Council will:

- Maintain an awareness of the Council's risk profile and that of the wider sector to aid the fulfilment of their role as local representatives.

- Ensure their awareness and familiarity with key corporate risk controls and/or mitigations, and act in full conformance with them and the member code of conduct.

The Executive will:

- Be ultimately responsible for ensuring that the Council adequately addresses the risks that it faces.
- Delegate the effective, day to day management of risk to officers.
- Ensure that risk is adequately considered in all aspects of decisions taken by the Executive in accordance with the constitution and scheme of delegation.
- Approve:
    - The Council's strategic risks for the forthcoming financial year in Q3 of the current year.
    - In year new risks for inclusion on the strategic risk register.
    - In year closure of strategic risks.
- Receive:
    - The Council's assurance framework for the forthcoming financial year in Q3 of the current year.
    - Quarterly updates on strategic risks.
    - Quarterly updates on red rated operational risks.
- Recommend:
    - That Full Council adopts the Council's risk management strategy following its update and review every three years, or more often if required.

The Audit Committee will:

- Act in conformance with its constitutional responsibilities in respect of risk management.
- Provide independent assurance on the adequacy of the Council's risk management strategy and the internal control environment.
- Provide independent review of the Council's governance, risk management and control frameworks and oversee the financial reporting and annual governance processes.
- Oversee internal and external audit, helping to ensure effective independent assurance arrangements are in place.
- Approve:
    - The annual internal audit plan and charter.
    - The annual external audit plan.
- Receive:
    - The Council's assurance framework on an annual basis.

   o Quarterly updates on strategic risks.

   o Quarterly updates on red rated operational risks.

   o The Council's updated risk management strategy when it is reviewed and updated every three years, or more often if required.

- Make any recommendations relating to risk management to the Executive or Senior Management Team as appropriate.

Corporate Governance Group (comprised of the Senior Management Team and statutory officers) will:

- In acting as the apex of officer governance, hold overall responsibility for the day-to-day management of risks in accordance with the constitution and scheme of delegation.
- Ensure that the Council's risk management strategy is robust, fit for purpose and that it is applied effectively.
- Recommend that:
    - o The Executive approves the Council's strategic risks for the forthcoming financial year in Q3 of the current year.
    - o The Executive approves any new in year risks for inclusion on the strategic risk register.
    - o The Executive approves in year closures of strategic risks.
- Approve:
    - o The assurance framework for the forthcoming year in Q3 of the current year.
    - o The operational risks for the forthcoming year in Q3 of the current year.
    - o Any new operational risks identified in year.
    - o The in year closure of any operational risks.
- Receive:
    - o Quarterly updates on strategic risks.
    - o Quarterly updates on operational risks.
    - o Biannual (Q2 and Q4) updates on the assurance framework.

Training and communication

It is imperative that the risk management strategy is underpinned by management and staff competence and awareness; doing so will help ensure the achievement of the strategy's objectives.

All staff and management have a responsibility for being familiar with the core risk management controls within their service and to similarly be aware of the Council's overarching risk management strategy.

Service management are responsible for ensuring that staff receive adequate support and training to complete their duties safely and in accordance with all corporate, service and other statutory risk controls.

The Council's Projects and Business Assurance Team is responsible for providing appropriate training and guidance on the risk management strategy to managers as required.

The following will be provided by the Projects and Business Assurance Team:

- An annual briefing to all staff on risk management and the risk management strategy;
- An annual briefing to Heads of Service and the Senior Management Team on risk management and the risk management strategy; and,
- Any additional ad-hoc training as required and requested by Senior Management/Corporate Governance Group.

The Projects and Business Assurance Team undertake quarterly risk management reviews with Heads of Service which are to be used as an opportunity to discuss the overarching approach to risk management, as well as the specific operation of the risk management cycle.

The risk management strategy and methodology is made available to all staff via the intranet. It will be made available to members via the ModGov document library. It will also be published on the Council's website.

Corporate risk registers and the assurance framework will be made available to all staff via the intranet. They will also be made available to members via the ModGov document library.

The risk management strategy will form part of the essential reading for new staff as part of the induction process.

Future review

The risk management strategy and methodology will be subject to a substantive review every three years at a minimum.

The review will include all aspects of the Council's approach to risk management, including the risk appetite statements and the thresholds set out therein. Regular review is crucial to ensuring that the strategy remains relevant to the Council, its risk profile and wider corporate and management structures/processes.

An administrative review will be carried out on an annual basis.

Signed off by	Joyce Hamilton, Monitoring Officer
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To	Audit Committee
Date	Wednesday 7 December 2022
Executive Member	Portfolio Holder for Finance and Governance

Key Decision Required	N
Wards Affected	(All Wards);

Subject	Update of the Code of Corporate Governance

Recommendations

That the amended Code of Corporate Governance at Annex 1 be adopted.

Reasons for Recommendations

Each local authority is required to develop and maintain a Code of Corporate Governance. The Code of Corporate Governance sets out the principles of good governance and the arrangements in place to ensure that the Council conducts its business in accordance with the law and proper standards. It provides assurance that the Council is meeting best practice in protecting its assets and serving the community.

Executive Summary

The Code of Corporate Governance has been drafted in accordance with the principles set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) guidance entitled 'Delivering Good Governance in Local Government'. In this guidance, seven core principles that should underpin the governance framework of a local authority are defined.

The Corporate Governance Group reviewed the code at its meeting on 19 October 2022 and recommended a number of changes within the amended code attached at annex 1. The amended code is therefore recommended for approval by the Audit Committee.

The Audit Committee has authority to approve the above recommendations.

Agenda Item 8

Statutory Powers

1. The Council has statutory duties under section 5 of the Local Government and Housing Act 1989 ensuring lawfulness and fairness of decision making (the responsibility of the Monitoring Officer). Also, the proper administration of the Council's affairs under section 151 of the Local Government Act 1972 (the responsibility of the Section 151 officer).

Background

2. Each local authority is required to develop and maintain a [Code of Corporate Governance](). The Committee agreed to adopt the current Code of Corporate Governance at its [meeting on 25 November 2021]().

3. The Council is committed to reviewing the Code annually to ensure it is maintained.

4. The Council is required to prepare an Annual Governance Statement each year to report publicly on compliance with the Code and how the Council has met the requirements of the Accounts and Audit Regulations 2015. The annual review of governance will assess the level of compliance with the Code's governance principles.

5. The information set out in the framework within the Code demonstrates that the Council continually seeks to ensure it remains well governed. The Code confirms the Council's recognition that to deliver good governance it must always seek to achieve its objectives whilst acting in the public interest.

Key Information

Broken links

6. The amended code of conduct at annex 1 has been updated to fix broken links to several documents on the Council's website and intranet pages, which are listed as evidence of good governance under principles one and six, including the following:

    - Whistle Blowing Policy

    - Anti-Fraud & Corruption Policy

    - Anti-Money Laundering Policy

Inclusion of references to the Council's Financial Sustainability Programme

7. It is also recommended that the amended code includes reference to the Council's 'Financial Sustainability Programme' in addition to any existing references to the annual budget and capital investment programme.

8. The Council is facing a period of unprecedented financial challenge, resulting from the effects of the Covid-19 pandemic, the current prevailing adverse economic conditions and the wider local government funding context.

9. Whilst the Council has been able to set a balanced budget for 2022/23, this has required drawing on reserves. The continued drawing on reserves is not a sustainable response to the Council's financial challenges. The Financial Sustainability Programme has therefore been tasked with securing the Council's

financial sustainability. Its inclusion within the code to demonstrate good governance is therefore recommended, under following principles –

- **Principle 2**: Ensuring openness and comprehensive stakeholder engagement.

- **Principle 3**: Defining outcomes in terms of sustainable economic, social and environmental benefits.

- **Principle 4**: Determining the interventions necessary to optimise the achievement of the intended outcomes.

- **Principle 6**: Managing risks and performance through robust internal control and strong public financial management.

- **Principle 7**: Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

Inclusion of the Council's Commercial Strategy under principle 2

10. It is recommended that the Council's Commercial Strategy be included within the amended code as evidence of principle 2 - 'Ensuring openness and comprehensive stakeholder engagement'.

Inclusion of the Council's Asset Management Plan under principle 3

11. It is recommended that the Council's Asset management Plan be included within the amended code as evidence of principle 3 - 'Defining outcomes in terms of sustainable economic, social and environmental benefits'.

Inclusion of the Council's IT Strategy under principle 3

12. It is recommended that the Council's IT Strategy be included within the amended code as evidence of principle 3 - 'Defining outcomes in terms of sustainable economic, social and environmental benefits'.

Options

13. **Option 1:** To approve the adoption of the updated Code of Corporate Governance as attached in annex 1. This is the recommended option.

14. **Option 2:** To consider the updated Code of Corporate Governance and suggest changes prior to approving the Code for adoption. This is not recommended as there may be a delay in the adoption of the Code if the suggested changes are such that the Committee needs to consider the adoption of a newly drafted Code at a future meeting.

15. **Option 3:** To reject the adoption of the updated Code of Corporate Governance. This is not recommended as the Code would not be up to date and would not properly reflect the work the Council does to ensure good governance.

Legal Implications

16. Corporate governance is the way in which the council directs and controls its arrangements to ensure that the intended outcomes for stakeholders are defined and achieved. A robust governance code provides assurance that the Council is meeting best practice in protecting its assets and serving the community.

17. Corporate governance is how the Council ensures it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

18. The Council has statutory duties to ensure proper governance of its members, officers, assets, services and decision making. Failure of the Council's corporate governance framework could result in unlawful decisions and conduct.

Financial Implications

19. The Council's Corporate Governance arrangements are critical to fulfilment of the Council's financial responsibilities.

Equalities Implications

20. There are no equalities implications.

Communication Implications

21. There are no communication implications.

Environmental Sustainability Implications

22. There are no environmental sustainability implications.

Risk Management Considerations

23. The Council has statutory duties to ensure proper governance. A breakdown in governance creates a range of serious risks, including legal, financial and reputational.

Other Implications

24. There are no other implications.

Consultation

25. The draft Code of Corporate Governance has been drawn up in consultation with the Monitoring Officer, the Chief Finance Officer and the Head of Organisational Development and considered at a meeting of the Corporate Governance Group on 19 October 2022.

Background Powers

There are none.

Reigate and Banstead Borough Council Code of Corporate Governance

Document History

Version	Date	Author	Change description	Reviewed and approved by
1	17/03/20	Alex Berry	First draft	Corporate Governance Group
2	07/09/20	Alex Berry	Confirming updates	-
3	11/09/20	Alex Berry	Updates following GTG on 10/09/20	Governance Task Group and Audit Committee
4	30/11/21	Alex Berry	Updated after review by CGG and GTG	Audit Committee
5	07/12/22	Alex Vine	Updated after review by CGG	Audit Committee

Introduction

Corporate Governance is about how the Council ensures that it is doing things right, in the right way, for the right people. It enables the Council to define and pursue its visions effectively in a timely, inclusive, open, honest and accountable manner.

Each local authority is required to develop and maintain an up-to-date Code of Corporate Governance and to prepare an Annual Governance Statement in order to report publicly on its compliance with the Code.

The council's Code of Corporate Governance has been developed in accordance with the seven core principles that should underpin the governance framework of a local authority, as outlined in the CIPFA/SOLACE guidance "Delivering Good Governance in Local Government: Framework 2016 Edition."

The seven principles of good governance are:

1. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rules of law.

2. Ensuring openness and comprehensive stakeholder engagement.

3. Defining outcomes in terms of sustainable economic, social and environmental benefits.

4. Determining the interventions necessary to optimise the achievement of the intended outcomes.

5. Developing the Council's capacity, including the capability of its leadership and the individuals within it.

6. Managing risks and performance through robust internal control and strong public financial management

7. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability

Code of Corporate Governance

The information set out in the framework within this code demonstrates that the Council continually seeks to ensure it remains well governed and that to deliver good governance the Council must always seek to achieve its objectives whilst acting in the public interest.

Monitoring

The Code of Corporate Governance is reviewed annually by:

- Corporate Governance Group (Officer group)
- Governance Task Group (Member group)
- Audit Committee

as part of the preparation of the Annual Governance Statement.

Principle 1

Principle 1 - Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rules of law.

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

Supporting principles	To achieve this, the Council will:
Behaving with integrity	- Ensure Members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation - Ensure members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. Meetings of Standard Committee to promote and maintain high standards of conduct within the Council and monitor effectiveness of the Code of Conduct. The operating principles and values should build on the Seven Principles of Public Life (**the Nolan Principles**): Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership. - Lead by example and use the above standard operating principles or values as a framework for decision making and other actions - Demonstrate, communicate and embed the standard operating principles or values through appropriate policies and processes which are to be reviewed on a regular basis to ensure that they are operating effectively

Demonstrating strong commitment to ethical values	- Seek to establish, monitor and maintain the organisation's ethical standards and performance - Underpin personal behaviour with ethical values and ensure they permeate all aspects of the organisation's culture and operation - Develop and maintain robust policies and procedures which place emphasis on agreed ethical values - Ensure that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation
Respecting the rule of law	- Ensure members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations - Create the conditions to ensure that the statutory officers, other key postholders, and Members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements - Strive to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders - Deal with breaches of legal and regulatory provisions effectively - Ensure corruption and misuse of power are dealt with effectively

Principle 1 is evidenced by:

- **Constitution**
- **Corporate Plan**
- **Member Code of Conduct**

- Member Learning and Development Plan (Internal)
- **Annual Governance Statement**
- Governance Task Group
- **Register of Interests**
- **Schemes of delegation / decision making protocols**
- Statutory officers' roles:- Chief Executive, Chief Finance Officer, Monitoring Officer
- **Internal Audit Plan**
- **Complaints Procedure**
- **Working in Partnership**
- Commercial Governance Framework (Internal)
- **Whistle Blowing Policy** (Internal)
- **Anti-Fraud and Corruption policy** (Internal)
- **Anti-Money Laundering Policy** (Internal)
- Equality Policy (Internal)
- Grievance Policy (Internal)
- Hospitality Protocol (Internal)
- ICT Policies (Internal)
- Financial Procedure Rules – Procedure Rule 7 of the **Constitution**
- Contract Procedure Rules – Procedure Rule 8 of the **Constitution**

Principle 2

Principle 2 - Ensuring openness and comprehensive stakeholder engagement.

Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

Supporting principles	To achieve this, the Council will:
Openness	• Ensure an open culture through demonstrating, documenting and communicating the organisation's commitment to openness • Make decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided • Provide clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear • Use formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action
Engaging comprehensively with institutional stakeholders (for example, commercial	• Effective engagement with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably

partners and suppliers, other public or third sector organisations)	• Develop formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively • Ensure that partnerships are based on, trust, a shared commitment to change, a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit
Engaging stakeholders effectively, including citizens and service users	• Establish a clear policy on the type of issues that the Council will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes • Ensure that communication methods are effective and that members and officers are clear about their roles with regard to community engagement • Encourage, collect and evaluate the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs • Implement effective feedback mechanisms in order to demonstrate how views have been taken into account • Balance feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity • Take account of the impact of decisions on future generations of taxpayers and service users

Principle 2 is evidenced by:

- **Constitution**
- **Corporate Plan**
- **Public attendance at Council meetings/Webcasting of Council meetings**

- **Publication of Committee Reports and Papers**
- **Freedom of Information**
- **Complaints**
- LGA Workshop for Members: Chairing Skills (internal)
- **Reigate and Banstead Borough Council Website**
- Medium Term Financial Plan, ~~Annual budget~~ Annual budget (including Financial Sustainability Programme) and Capital Investment Strategy
- Treasury Management Strategy
- **Annual Statement of Accounts**
- **Commercial Strategy**
- **Working in Partnership**
- Social media channels (Facebook, Twitter, LinkedIn, Instagram)
- **Borough News residents' magazine**
- **Monthly newsletter to local businesses**
- Media engagement
- Events (Community Development, Harlequin Theatre, Leisure, Mayoral, Economic Prosperity)
- Consultation and Engagement activities
- Targeted Communications (where appropriate)

Principle 3

Principle 3 - Defining outcomes in terms of sustainable economic, social and environmental benefits.

The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

Supporting principles	To achieve this, the Council will:
Defining outcomes	• Have a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions • Specify the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer • Deliver defined outcomes on a sustainable basis within the resources that will be available • Identify and manage risks to the achievement of outcomes • Manage service users' expectations effectively with regard to determining priorities and making the best use of the resources available
Sustainable economic, social and environmental benefits	• Consider and balance the combined economic, social and environmental impact of policies and plans when taking decisions about service provision

	• Take a longer-term view with regard to decision making, take account of risk and act transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints • Determine the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs • Ensure fair access to services

Principle 3 is evidenced by:

- **Corporate Plan**
- Commercial Strategy
- Housing Delivery Strategy
- Medium Term Financial Plan, ~~Annual budget~~ Annual budget (including Financial Sustainability Programme) and Capital Investment Strategy
- **Annual Statement of Accounts**
- **Asset Management Plan**
- **IT Strategy (internal)**
- Treasury Management Strategy
- **Monitoring of Performance Indicators**
- **Risk Management Strategy**

Principle 4

Principle 4 - Determining the interventions necessary to optimise the achievement of the intended outcomes.

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.

Supporting principles	To achieve this, the Council will:
Determining interventions	• Ensure decision makers receive objective and rigorous analysis of a variety of options indicating how intended long-term outcomes would be achieved and associated risks. Therefore, ensuring best value is achieved however services are provided • Consider feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts
Planning interventions	• Establishing and implementing robust planning and control cycles that cover long-term strategic and operational plans, priorities and targets • Engage with internal and external stakeholders in determining how services, service improvements and other courses of action should be planned and delivered • Consider and monitor risks facing each partner when working collaboratively, including shared risks

	• Ensure arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances • Establish appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured • Ensure capacity exists to generate the information required to review service quality regularly • Prepare budgets in accordance with objectives, strategies and the medium-term financial plan • Inform medium and long-term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy
Optimising achievement of intended outcomes	• Ensure the medium-term financial plan integrates and balances service priorities, affordability and other resource constraints • Ensure the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term • Ensure the medium-term financial plan sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage • Ensure the achievement of 'social value' through service planning and commissioning

Principle 4 is evidenced by:

- **Corporate Plan**
- **Overview and Scrutiny Committee**
- **Executive Forward Plan**

- Medium Term Financial Plan, ~~Annual budget~~ Annual budget (including Financial Sustainability Programme) and Capital Investment Strategy

- **Annual Statement of Accounts**

- Treasury Management Strategy

- **Working in Partnership**

- **Risk Management Strategy**

- Commercial Governance Framework (Internal)

- Commercial Strategy

- Housing Delivery Strategy

- Process for Developing Policy Framework – Procedure Rule 6 of the **Constitution**.

Principle 5

Principle 5 - Developing the Council's capacity, including the capability of its leadership and the individuals within it.

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole.

Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members.

Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

Supporting principles	To achieve this, the Council will:
Developing the Council's capacity	• Review operations, performance and use of assets on a regular basis to ensure their continuing effectiveness • Improve resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently • Recognise the benefits of partnerships and collaborative working where added value can be achieved • Agree an approach to employee engagement with the Employment Committee and Council's Management Team • Review and agree exact priorities for this approach.

	• Scope individual projects to meet the will flow from the priority work, include priorities around Leadership and Management Development, the Wellbeing of our staff, employee voice and improving our two way internal communication, concluding our review on how we attract talent to the organisation and also our organisation revisioning. • Undertake the annual Service and Financial Planning process to agree resources. Including work between Finance and HR colleagues with Heads of Services and team managers to review Business Plans and the HR plans required to deliver team/organisational objectives. Produce Business Plans for each service area and the corresponding Council's establishment (agreed positions) managed by HR, with the help of Finance colleagues.
Developing the capability of the Council's leadership and other individuals	• Develop protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained • Publish a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the Council. • Ensure the Leader and the Head of Paid Service/Directors have clearly defined and distinctive leadership roles within a structure whereby the Head of Paid Service/Directors lead in implementing strategy and managing the delivery of services and other outputs set by Members and each provides a check and a balance for each other's authority • Develop the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: o ensuring Members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged

	- ensuring Members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis - ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external - Ensure that there are structures in place to encourage public participation - Take steps to consider the leadership's own effectiveness and ensure leaders are open to constructive feedback from peer review and inspections - Hold staff to account through regular performance reviews which take account of training or development needs - Ensure our people are healthy and supporting their wellbeing remains a priority for us. To do this we: - have access to an employee assistance programme (EAP) that offers employees and their families counselling support if required - provide numerous tools online to support wellbeing (physical and mental health) - have occupational health support when required - run specific wellbeing events throughout the year to focus on physical and/or mental health. - encourage managers and staff to have regular 121s when managers can check in about a person's wellbeing on an individual level and any necessary interventions made to help support a person (potentially helped by the HR team). 121s also form part of our performance appraisal process when regular check ins take place with managers throughout the year and pay is reviewed annually - The recognised Trade Unions also support a number of wellbeing events through the year and open these up to members and non-members.

	• We will continue to work on understanding individual wellbeing needs and how the organisation can support individuals

Principle 5 is evidenced by:

- **Constitution** including Scheme of Delegation for Members and Officers
- Personal Development Appraisals (Internal)
- Induction Programme (Internal)
- Member and Officer training (Internal)
- **Pay policy statement**
- Great People Strategy (our Employee Engagement Strategy, being reviewed for post pandemic changes required)

Principle 6

Principle 6 - Managing risks and performance through robust internal control and strong public financial management.

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision-making activities.

A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability. It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

Supporting principles	To achieve this the Council will:
Managing risk	• Recognise that risk management is an integral part of all activities and must be considered in all aspects of decision making • Implement robust and integrated risk management arrangements and ensure that they are working effectively • Ensure that responsibilities for managing individual risks are clearly allocated
Managing performance	• Monitor service delivery effectively including planning, specification, execution and independent post implementation review

	• Make decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook • Ensure an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible • Provide members and senior management with regular reports on service delivery plans and on progress towards outcome achievement • Ensure there is consistency between specification stages (such as budgets) and post implementation reporting (for example financial statements)

Robust internal control	• Align the risk management strategy and policies on internal control with achieving objectives
	
	• Evaluate and monitor risk management and internal control on a regular basis
	
	• Ensure effective counter fraud and anti-corruption arrangements are in place
	
	• Ensure additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor
	
	• Ensure an audit committee or equivalent group/ function, which is independent of the executive and accountable to the Council:
	    ○ provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment
	    ○ that its recommendations are listened to and acted upon

Managing data	• Ensure effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data

	• Ensure effective arrangements are in place and operating effectively when sharing data with other bodies • Review and audit regularly the quality and accuracy of data used in decision making and performance monitoring
Strong public financial management	• Ensure financial management supports both long term achievement of outcomes and short term financial and operational performance • Ensure well developed financial management is integrated at all levels of planning and control including management of financial risks and controls

Principle 6 is evidenced by:

- **Corporate Plan**
- **Overview and Scrutiny Committee**
- **Standards Committee**
- **Committee Terms of Reference**, including Commercial Ventures Executive Sub-Committee in relation to commercial projects
- **Register of Interests**
- Commercial Governance Framework (Internal)
- Register of Gifts and Hospitality (Internal)
- **Annual Governance Statement**
- **Risk Management Strategy**

- Medium Term Financial Plan, ~~Annual budget~~ <mark>Annual budget (including Financial Sustainability Programme)</mark> and Capital Investment Strategy
- **Annual Statement of Accounts**
- Treasury Management Strategy
- Quarterly Performance Reports to Executive, Audit and Overview and Scrutiny
- **Complaints Procedure**
- **Internal Audit Plan**
- **Anti-Fraud and Corruption policy** (Internal)
- **Anti-Money Laundering Policy** (Internal)
- ICT Policies (Internal)
- Health and Safety Policy (Internal)
- Business Continuity Plans (Internal)

Principle 7

Principle 7 - Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

Supporting principles	To achieve this the Council will:
Implementing good practice in transparency	- Write and communicate reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensure that they are easy to access and interrogate - Strike a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand
Implementing good practices in reporting	- Report at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way - Ensure members and senior management own the results reported - Ensure robust arrangements for assessing the extent to which the principles contained in this framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement)

	• Ensure that this framework is applied to jointly managed or shared service organisations as appropriate • Ensure the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations
Assurance and effective accountability	• Ensure that recommendations for corrective action made by external audit are acted upon • Ensure an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon • Welcome peer challenge, reviews and inspections from regulatory bodies and implementing recommendations • Gain assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement • Ensure that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met

Principle 7 is evidenced by:

- **Corporate Plan**
- **Constitution**
- **Publication of Committee Reports and Papers**
- **Forthcoming Decisions List**
- **Overview and Scrutiny Committee**
- **Commercial Ventures Executive Sub-Committee**

- **Annual Governance Statement**
- **Complaints Procedure**
- Medium Term Financial Plan, ~~Annual budget~~ Annual budget (including Financial Sustainability Programme) and Capital Investment Strategy
- **Annual Statement of Accounts**
- Treasury Management Strategy
- **Internal Audit Plan**
- Quarterly Performance Reports to Executive, Audit and Overview and Scrutiny
- Commercial Governance Framework (Internal)

Reigate and Banstead Borough Council Audit Committee Work Programme

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
15 March 2023								
Luke Harvey, Project & Performance Team Leader	Portfolio Holder for Corporate Policy and Resources	Head of Corporate Policy, Projects and Performance	**Risk management - Q3 2022/23** To receive an update on Q3 2022/23 risk management		24 Mar 2022		Open	
Luke Harvey, Project & Performance Team Leader	Portfolio Holder for Corporate Policy and Resources	Head of Corporate Policy, Projects and Performance	**Strategic risks - 2023/24** To approve the strategic risks for 2023/24		24 Mar 2022		Open	
Luke Harvey, Project & Performance Team Leader	Deputy Leader and Portfolio Holder for Finance and Governance	Chief Finance Officer	**Internal audit - Q3 2022/23 progress report** To receive the Q3 2022/23 internal audit progress report.				Open	
Luke Harvey, Project & Performance Team Leader	Deputy Leader and Portfolio Holder for Finance and Governance	Chief Finance Officer	**Internal audit plan and Charter - 2023/24** To receive the internal audit plan and Charter for 2023/24				Open	

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
Pat Main, Chief Finance Officer, Jacqueline Aboagye, Finance Manager	Deputy Leader and Portfolio Holder for Finance and Governance	Chief Finance Officer	**Treasury Management Strategy 2023/24** To consider the Treasury Management Strategy 2023/24.		23 Mar 2023	30 Mar 2023	Open	
Liane Dell, Democratic Services Officer	Portfolio Holder for Corporate Policy and Resources	Head of Legal and Governance	**Audit Committee Annual Report 2022/23** To consider the Audit Committee's Annual Report and forward Work Programme for 2023/24.				Open	
June 2023 - note other items will be added to this meeting								
Pat Main, Chief Finance Officer, Jacqueline Aboagye, Finance Manager	Deputy Leader and Portfolio Holder for Finance and Governance	Chief Finance Officer	**Draft Annual Governance Statement 2022/23** To review the Draft Annual Governance Statement 2022/23.				Open	
Luke Harvey, Project & Performance Team Leader	Deputy Leader and Portfolio Holder for Finance and Governance	Chief Finance Officer	**Internal audit - 2022/23 annual report and opinion** To receive the annual internal audit report and opinion.				Open	
Luke Harvey, Project & Performance Team Leader	Portfolio Holder for Corporate Policy and Resources	Head of Corporate Policy, Projects and Performance	**Risk management - Q4 2022/23** To receive an update on risk management in Q4 2022/23		22 Jun 2023		Open	

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
Meeting date TBC for 2020/21 reports								
Pat Main, Chief Finance Officer	Deputy Leader and Portfolio Holder for Finance and Governance	Chief Finance Officer	**Final Annual Governance Statement 2020/21** To consider the Final Annual Governance Statement 2020/21				Open	
Pat Main, Chief Finance Officer, Jacqueline Aboagye, Finance Manager	Deputy Leader and Portfolio Holder for Finance and Governance	Chief Finance Officer	**External Auditor Report (ISA 260) 2020/21** This report, from the Council's external auditors, summarises conclusions and significant issues arising from the audit of the 2020/21 Annual Financial Report.				Open	
Pat Main, Chief Finance Officer, Jacqueline Aboagye, Finance Manager	Deputy Leader and Portfolio Holder for Finance and Governance	Chief Finance Officer	**Statement of Accounts 2020/21** To consider the Audited Statement of Accounts 2020/21.				Open	
Meeting Date TBC for 2021/22 reports								
Pat Main, Chief Finance Officer, Jacqueline Aboagye, Finance Manager	Deputy Leader and Portfolio Holder for Finance and Governance	Chief Finance Officer	**External Audit plan 2021/22** To note the External Audit Plan for 2021/22				Open	
Pat Main, Chief Finance Officer, Jacqueline Aboagye, Finance Manager	Deputy Leader and Portfolio Holder for Finance and Governance	Chief Finance Officer	**Final Annual Governance Statement 2021/22** To consider the Final Annual Governance Statement 2021/22.				Open	

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Agenda Item 9

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
Pat Main, Chief Finance Officer, Jacqueline Aboagye, Finance Manager	Deputy Leader and Portfolio Holder for Finance and Governance	Chief Finance Officer	**External Auditor Report (ISA 260) 2021/22** This report, from the Council's external auditors, summarises conclusions and significant issues arising from the audit of the 2021/22 Annual Financial Report.				Open	
Pat Main, Chief Finance Officer, Jacqueline Aboagye, Finance Manager	Deputy Leader and Portfolio Holder for Finance and Governance	Chief Finance Officer	**Statement of Accounts 2021/22** To consider the audited Statement of Accounts 2021/22				Open	

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Action Tracker – Audit Committee 2022/23

Meeting 2022/23	Subject and Request	Action	Who	Status	Response
14 June 2022	Item 6 - Risk management - Quarter 4 2021/22 (Minute 1)	**SR7 - Cyber Security –** It was requested that a verbal update on progress of new ICT strategy be given to a future meeting of the Committee.	Head of IT	In progress	This will be provided as part of the planned Audit Committee member briefing on strategic risks.
7 Sep 2022	Item 4 - Treasury Management Strategy Outturn 2021/22 (Minute 17)	**Reconciliation** It was requested that reconciliation between figures in tables 2 and 3 (page 23 of the report) be provided via a written response.	Chief Finance Officer	Complete	Written response circulated to Audit Committee Members on 08 November 2022.
7 Sep 2022	Item 4 - Treasury Management Strategy Outturn 2021/22 (Minute 17)	**Greensand Holdings Limited** A written response would be given to members outlining the terms of the loan funding to the company.	Chief Finance Officer	Complete	Written response circulated to Audit Committee Members on 08 November 2022.
7 Sep 2022	Item 5 - Internal audit - Quarter 1 2022/23 progress report	**Contract Management Audit** It was requested that a written response be given outlining the value of the contract where the contract manager did not hold a copy of the contract and the reasons for the oversights described in the report.	Project and Performance Team Leader	Complete	Written response circulated to Audit Committee Members on 29 November 2022.
7 Sep 2022	Item 5 - Internal audit - Quarter 1 2022/23 progress report	**Low and Medium Priority Management Actions** More detail was sought regarding the overdue low and medium priority management actions shown in annex 2 to the report. A Member requested that the Committee received this information as a regular update.	Project and Performance Team Leader	Complete	Members to be updated at the Audit Committee on 7 December 2022.

Meeting 2022/23	Subject and Request	Action	Who	Status	Response
7 Sep 2022	Item 5 - Internal audit - Quarter 1 2022/23 progress report	**IT virtualisation** It was requested that a written response be given on the overdue management action for IT virtualisation.	Head of IT	Complete	Written response circulated to Audit Committee Members on 28 November 2022.