

ANNEX 1 – Q3 2020/21 STRATEGIC RISKS UPDATE

Ref.	Risk description	Owner	Rating	Mitigating actions/update	Direction of travel
<p>SR1</p>	<p>Brexit</p> <p>The UK’s withdrawal agreement with the European Union includes a transition period where the pre-Brexit trade arrangements will continue to apply. The transition period ends on 31 December 2020, where, if successfully negotiated, new trade arrangements covering goods and services will be put in place. Despite the COVID-19 pandemic, the government remains committed to leaving the transition period by 31 December.</p> <p>The government has the option to extend the transition period but will need to make this decision by June at the latest. If the option to extend is not exercised any later request will require a new treaty and ratification by all EU member states within a short timeframe.</p> <p>If the extension is refused, this leaves the government limited time to agree new trading arrangements. If new trade arrangements aren’t negotiated then the transition period will elapse without a trade deal being in place, resulting in a no-deal Brexit which will likely have adverse effects on the economy.</p>	<p>Cllr Schofield</p>	<p>GREEN</p>	<p>Following the agreement of a trade deal between the United Kingdom and the European Union on 24 December 2020, this risk is recommended for closure in Q3 2020/21 reporting.</p> <p>Risks associated with any worsening in the economic outlook will be covered by the strategic risk on Economic prosperity (SR6).</p> <p>The Council’s supply chains were previously reviewed as part of Brexit preparations and were found to be robust. Any specific supply chain risks will be closely monitored and, if necessary, raised as an operational risk.</p> <p>The ongoing issues at close strait channel crossings are being managed at the Local Resilience Forum level. The Council is fully engaged with our partners at the LRF.</p>	<p style="text-align: center;">↓</p>
<p>SR2</p>	<p>Financial sustainability</p> <p>The Council is now operating in a uniquely challenging and uncertain financial context.</p> <p>In the wake of the COVID-19 pandemic and likely recession which will follow, the Council faces a period of unprecedented financial uncertainty.</p> <p>The ongoing financial settlement with the Government also remains unclear with the Fair Funding Review</p>	<p>Cllr Schofield</p>	<p>RED</p>	<p>The Council’s updated Medium-Term Financial Plan was reported to the Executive in January 2021. This sets out the forecast budget challenges over the coming five years. It will form the basis for service and financial planning for 2022/23 onwards.</p> <p>The specific outcomes of the Fair Funding Review and Business Rates Reset remain unknown; however it is expected to result in significantly reduced funding.</p>	<p style="text-align: center;">—</p>

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	<p>and Business Rate Reset and Revaluation being delayed.</p> <p>There most significant risks relate to the extent to which the Government will fund the unplanned expenditure that is being incurred to deliver the Council’s COVID-19 responsibilities at the same time as experiencing material reductions in income from fees and charges and local taxes. If this substantial financial burden is not mitigated through direct Government support these unplanned financial pressures will have an adverse impact on the Council’s capacity to deliver against its Corporate Plan ambitions in future years.</p>			<p>COVID-19 has resulted in material new financial risks, both in 2020/21 and over the medium term. Additional unbudgeted expenditure has been incurred to deliver the authority’s response and budgeted sources of income have been impacted by reduced demand during lockdown.</p> <p>Government funding received to date is likely to address a significant proportion of the one-off cost pressures and lost income, but there remains uncertainty about funding support for lost income from fees and charges and local taxes in 2021/22 as well as about whether income levels will return to pre-COVID levels in the remainder of the year and beyond.</p> <p>In Q3 the Council submitted the second claim to Central Government for lost income as a result of the COVID-19 pandemic.</p> <p>Despite the impact of COVID-19 on priorities and workloads, the Council adopted Part 1 of its Commercial Strategy in Q3 demonstrating the continued importance of: (i) adopting and implementing strategies that support sustainable income generation and (ii) taking forward income generating projects such as Horley Business Park, and a crematorium. The Council is now in receipt of external advice on how to deliver appropriate commercial structures, roles and responsibilities and the relevant sub-committee is considering how to take this forward.</p>	

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SR3	<p>Local government reorganisation</p> <p>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 a new devolution agenda.</p> <p>Given the COVID-19 Pandemic, a mandated reorganisation or devolution is unlikely. Instead, changes are most likely to result from a neighbouring or partner authority's financial failure or distress.</p> <p>The results of a possible reorganisation are uncertain, though it could adversely affect this Council and the delivery of services for residents.</p>	Cllr Brunt	AMBER	<p>The 2019 Queen's speech announced an upcoming white paper on devolution and local government reorganisation.</p> <p>In response to the latter, in the summer of 2020 Surrey County Council announced its intention to develop a proposal for a single unitary authority to cover the county. The proposal would have necessarily involved the abolition of all districts and boroughs. The Council was a joint signatory to a letter to the Secretary of State, Robert Jenrick MP, which requested that the government give consideration to alternative proposals for the structure of local government in Surrey.</p> <p>Surrey's proposal was not one of three that the government invited to take forward.</p> <p>The government recently announced that the White Paper will now follow in the latter part of 2021 – delayed from Autumn 2020.</p> <p>The Council will continue proactively seek to influence the debate on the future structure of local government within Surrey.</p> <p>In 2020 Leaders of all Surrey's district and borough councils commissioned a piece of work, with assistance from KPMG, to look at local government provision across the county and explore ways of joint working and closer collaboration with partners. The report was published in January 2021 and details collaboration opportunities in areas such as waste, building control, IT infrastructure, housing, revenues and benefits, procurement,</p>	—

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				economic development and leisure services. The report's recommendations will not be actively pursued as the Council continues to respond to the COVID-19 pandemic.	
SR4	<p>Partner public sector funding decisions</p> <p>The public sector is experiencing significant funding pressures. Budgetary decisions made by other public service providers will impact this borough's residents and businesses as well as the Council itself.</p> <p>The COVID-19 pandemic has increased pressure on public services. These pressures may result in partners being stretched which may require the Council to increase services and support provided. This could have negative funding and resource implications.</p>	Cllr Schofield	AMBER	<p>Our partner public sector organisations are operating in a similarly challenging financial context as detailed in SR2 above.</p> <p>As per SR3, the financial distress or failure of a partner or neighbouring authority could result in changes to the structure of local government in Surrey.</p> <p>We will seek to align Council and partner priorities around the new Corporate Plan wherever possible, to ensure that all services are meeting the needs of our residents and businesses.</p> <p>Surrey County Council published its draft budget in January 2021. Any impacts on this Council will be kept under close review. The Council's funding reliance on the County Council has reduced in recent years, however, therefore reducing the potential impact of any funding or budgetary decisions they make.</p>	—
SR5	<p>Organisational capacity and culture</p> <p>The Council has adopted an ambitious Corporate Plan, supported by a capital investment, housing and Great People strategy.</p> <p>The COVID-19 pandemic will change the way the Council operates and will drastically change the organisational culture and ways of working.</p>	Cllr Lewanski	AMBER	<p>Before the COVID-19 pandemic significant work was undertaken on the Council's Great People work programme (formerly known as the Organisation Development strategy). This has formed a solid basis for post COVID planning.</p> <p>Organisational culture:</p>	—

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	<p>The Council will continue to be ambitious and the new ways of working will need to be embraced by both members and officers in order for objectives to be achieved.</p> <p>The failure to remain ambitious will risk the delivery of these objectives in these unprecedented times.</p>			<p>The pandemic has resulted in a need for the organisation to work differently. This is being proactively driven by the New Ways of Working Recovery group. This group has member oversight. As of January 2021, this work is now being overseen by the Organisation Board.</p> <p>Priority is being given to understanding and addressing staff welfare and wellbeing issues.</p> <p>Capacity and resilience: As recently agreed by the Employment Committee, the recruitment of a new Chief Executive will be paused and reconsidered in the Spring. Suitable plans are in place within the Management Team to cover all duties. Recruitment will be underway shortly to increase capacity in the Management Team.</p>	
<p>SR6</p>	<p>Economic prosperity</p> <p>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 will have negative impacts upon the economy, with forecasts suggesting the worst recession in a century.</p> <p>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 paid for services and the collection of monies owed. Challenging financial circumstances for residents may also increase their reliance on Council services.</p>	<p>Cllrs Humphreys and Schofield</p>	<p>RED</p>	<p>The latest available data (current as of October 2020) shows that Reigate and Banstead has had the highest number of furloughed employees in Surrey. The government’s Jobs Retention Scheme has been extended until the end of April 2021.</p> <p>In Q4 the Council will launch the East Surrey Work Local Youth Hub. The Hub is a new initiative to combat the recent increase in youth unemployment.</p> <p>The Council has been active in helping to support local businesses using virtual platforms throughout the COVID-19 pandemic. We will continue to carry out heightened levels of engagement and communication with local businesses.</p>	<p>—</p>

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				<p>Support has also included the processing of business grants and applications for business rate relief. The Council has also distributed money to support businesses via the local authority discretionary grant fund. In Q3 the scope of the grant programme was expanded to support a wider group of local businesses.</p> <p>The 'R&B Works' project is set to take place in Q4. This project intends to highlight and provide support towards local employment opportunities for residents.</p>	
<p>SR7</p>	<p>Reliance on the welfare system</p> <p>The COVID-19 pandemic has resulted in increasing numbers of residents being reliant upon the welfare system as the economy is negatively impacted. This increases the risk of household budgets being stretched and residents being threatened with homelessness. The latter could result in an increase in cost pressures on the Council as our services are increasingly relied upon.</p>	<p>Cllr Knight</p>	<p>RED</p>	<p>The COVID-19 pandemic has resulted in significant negative economic impacts on residents. The Council will closely monitor the impact of the gradual ending of the government's furlough scheme and the impact on local residents.</p> <p>The Council continues to administer Test and Trace support payments. The payment of £500 is for people on low incomes who are unable to work from home if they are told to self-isolate by NHS Test and Trace and will lose income as a result.</p> <p>The full roll-out date for universal credit has yet to be confirmed. However, the system is live for those experiencing changes in their circumstances. The effects of COVID-19 has increased universal credit claimants in the borough.</p> <p>The Council's Money Support service is receiving increased referrals in comparison to previous years. This will continue to be</p>	<p>—</p>

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				<p>monitored and services adjusted/scaled up if required. Additional resourcing has been identified to support the service.</p> <p>The Housing service has successfully applied for a government grant to help with accommodating single homeless persons. The Council has also participated in a cross-Surrey application made to the 'Changing Futures Fund'. This fund is a new pilot service aimed at providing support to vulnerable homelessness clients.</p> <p>As of the end of Q3 the ban on evictions continues to be in effect and is expected to continue through to mid-February 2021. When the courts do reopen, however, there is an expectation that the Housing service will experience an increase in homelessness applications.</p>	
SR8	<p>Cyber security</p> <p>Organisations are at an ever-increasing risk of cyber-attack as the use of digital systems and technologies increases. More sophisticated attacks and new variants of malicious software underscore the risk of corporate defences being compromised.</p> <p>The shift to remote working and teleconferencing in response to COVID-19 could potentially compromise cyber security.</p> <p>The effects of a cyber-attack are wide and varied though at their worst could result in data destruction, disruption to the delivery of services and data theft.</p>	Cllr Lewanski	AMBER	<p>ICT reports data security matters to the Senior Information Risk Officer (SIRO). The ICT customer base will be kept informed of any specific threats and will be continually reminded to be vigilant when opening email or browsing websites, particular those from unknown sources</p> <p>The 2020 assessment of ICT security standards, set by the Cabinet office and known as the Public Sector Network Code of Connection (PSN CoCo), has been passed and certificated. The 2021 assessment is due to commence in February/March 2021. Certification is expected in June 2021.</p>	■

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				ICT are currently working with the National Computer Centre to implement a statement of works to improve the Council's cyber security.	
SR9	<p>Fraud</p> <p>Due to the wide range of activities being undertaken by the Council, there is a risk of fraud being committed. The latter is exacerbated by the new areas of activity which the Council has launched following the COVID-19 pandemic.</p>	Cllr Schofield	AMBER	<p>The new areas of activity that the Council has delivered since the pandemic started increase the risk of fraud. The Council nevertheless has robust control measures in place to protect public funds from fraudulent activity.</p> <p>The Council's processes regarding the payment of small business grants were audited by the Council's internal auditors in Q2 of this financial year. An opinion of 'substantial assurance' was received, with no management actions recommended. An audit on discretionary grant payments took place in Q3, with the service also receiving a 'substantial assurance' opinion, with no management actions recommended.</p>	■
SR10	<p>Marketfield Way</p> <p>Marketfield Way is a major place delivery project for the Council and is critical to shaping Redhill and ensuring the town's continued vitality and viability. It will also generate income which can be reinvested in Council services.</p> <p>The COVID-19 pandemic will likely negatively impact upon this development, including in its delivery as well as its financial viability.</p>	Cllr Biggs	AMBER	<p>The project continues to be on track.</p> <p>Enabling works have now been completed, and full works have commenced. Office based staff are working remotely and social distancing measures are in place on site. These safety measures are aligned to industry standards as well as all relevant government guidance. This is a key control to prevent work on site being delayed.</p> <p>We have entered into a building contract which reduces financial risk to Council by fixing a high proportion of outstanding costs.</p>	■

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				<p>The current economic climate may make securing pre-let agreements – particularly for the cinema operator – challenging. This will be continually monitored alongside the Council’s commercial agent. The council is adopting a flexibility-of-use methodology for Marketfield Way’s commercial units. This is to ensure that there are appropriate tenant incentive packages in place to encourage interest from commercial organisations.</p> <p>The project was recently audited by the Council’s internal auditors and received an assurance rating of ‘substantial’.</p>	
SR11	<p>Gatwick Airport</p> <p>The COVID-19 outbreak is likely to have a prolonged negative impact on Gatwick airport. The outbreak has seen a large reduction in air travel which can be expected to continue into the foreseeable future due to the negative economic outlook and likely ongoing global travel restrictions.</p> <p>As a key local employer the financial position of the airport will likely have a negative effect on local employment, which may result in an increased number of residents seeking support from the Council.</p>	Cllr Humphreys	RED	<p>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.</p> <p>As noted above, Reigate and Banstead has the highest number furloughed employees in Surrey. It is likely that a high number of Reigate and Banstead residents are on furlough from Gatwick and its associated supply chain.</p> <p>Prior to third lockdown announced before Christmas, Gatwick had indicated some confidence of returning to around 50% of normal capacity in the summer of 2021. Given the current lockdown, this is likely to be delayed, with recovery subject to the success of the vaccination program and limited by any future restrictions.</p>	■

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				As of end of Q3, Gatwick continues to operate at severely reduced levels, with majority of staff remaining on furlough.	
<p>SR12</p>	<p>COVID-19: second wave/local lockdown</p> <p>In the event of a second wave or local lockdown, the Council will be required to stand up its response to support residents and businesses.</p> <p>This will result in members of staff being redeployed and could result in significant disruption to the delivery of services.</p>	<p>Cllr Brunt</p>	<p>AMBER</p>	<p>In October 2020 the government announced a new tiered system of restrictions to stop the spread of COVID-19. The latter was supplanted, however, by the announcement of two subsequent national lockdowns.</p> <p>The Council has utilised its robust plans to continue to provide services under the several rounds of COVID-19 restrictions during the quarter. This has included providing support services to residents and businesses as well as maintaining business continuity and the delivery of core statutory services.</p> <p>In this regard, it is important to note that operating within the confines of, and responding to, Covid-19 has now become 'normal' for the Council. Ongoing disruption is expected and is being planned for.</p> <p>The Council continues to engage with partners in Surrey, including the Local Resilience Forum and other districts and boroughs. Learning from partners has assisted preparedness activities.</p>	
<p>SR13</p>	<p>Reform of the planning system</p> <p>Following the publication of the 'Planning for the Future' white paper, the government is consulting on changes to planning system.</p> <p>Whilst the proposals are at an early stage and are subject to later change and revision, the current White</p>	<p>Cllr Biggs</p>	<p>AMBER</p>	<p>In Q2 the Council responded to the consultation by central government and lodged its opposition to the white paper's proposals as currently defined, principally in regards to the loss of affordable housing in the borough. The consultation closed on 29 October 2020.</p>	

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	<p>Paper proposes increasing the threshold at which affordable housing is required from developments from 10 units to 40 or 50.</p> <p>Given the large number of developments in the borough offering 11-40 homes, the increase in the threshold to 40 would reduce RBBC's delivery of affordable housing by up to approximately 60%.</p> <p>This change could therefore negatively impact delivery of affordable housing in the borough.</p>			<p>The Council continues to pursue the delivery of affordable housing within the borough as articulated in the Housing Delivery Strategy.</p>	