

ANNEX 1 – Q1 2021/22 STRATEGIC RISKS UPDATE

Ref.	Risk description	Owner	Rating	Mitigating actions/update	Direction of travel
SR1	<p>COVID-19 pandemic</p> <p>The Council will continue to respond to the COVID-19 pandemic in supporting residents, businesses as well as other partner public sector organisations.</p> <p>The effects of the pandemic, coupled with the ongoing response, could result in significant disruption to the delivery of services and the achievement of corporate objectives.</p>	Cllr Brunt	AMBER	<p>Where paused or altered, Council services have restarted as appropriate and in full accordance with government guidance and the roadmap out of lockdown restrictions.</p> <p>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 planned for.</p> <p>Plans for surge testing were invoked in June 2021 as surge testing was required in the borough. The Council was the lead agency for the successfully delivered operation and worked closely alongside multi-agency partners including Surrey Public Health and the Department for Health and Social Care. A debrief has taken place, with key learning captured for any future surge testing requirement, both in Reigate and Banstead and in our neighbouring and partner local authorities.</p>	—
SR2	<p>Financial sustainability</p> <p>In the wake of the COVID-19 pandemic and resultant recession, the Council faces a period of unprecedented financial uncertainty.</p> <p>The 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.</p>	Cllr Schofield	RED	<p>The Council will continue to ensure that strong financial management arrangements are in place and will continue to invest in skills and expertise to support delivery of the Council's financial and commercial objectives while managing associated risks.</p> <p>The Council's updated Medium-Term Financial Plan was reported to the Executive in July 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>	—


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	<p>If this substantial financial burden is not mitigated through direct Government support, then these unplanned financial pressures will have an adverse impact on the Council's capacity to deliver against its Corporate Plan ambitions. The delivery of corporate plan objectives will similarly be jeopardised if the Council is unable to secure additional income streams.</p> <p>The ongoing financial settlement with the Government also remains uncertain.</p> <p>The Council is therefore increasingly reliant on income derived, and to be derived and generated, from investments, fees and charges and commercial activities – the ability to do so, however, may be further restricted by changes in legislation, regulations, and codes of practice. Commercial activity and investments are similarly not without risk.</p>			<p>The Council's Capital Investment Strategy was reported to the Executive in July 2021.</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>COVID-19 has resulted in material new financial risks, both in the current financial year 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 restrictions. At the close of the 2020/21 financial year the overall budget outturn is a net underspend for the Council, with reserves remaining healthy.</p> <p>Despite the impact of COVID-19 on priorities and workloads, the Council adopted Part 1 of its Commercial Strategy in Q3 2020/21 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.</p> <p>As of Q1 2021/22, work is now underway on part 2 of the Commercial Strategy.</p>	
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 the government's devolution</p>	Cllr Brunt	AMBER	<p>The 2019 Queen's speech announced an upcoming white paper on devolution and local government reorganisation. In response to this, in the summer of 2020 Surrey County Council announced its intention to develop a proposal for a single unitary authority for the county.</p>	—

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	<p>agenda. A White Paper on English devolution and local recovery is expected in the latter part of 2021, delayed from its original date in autumn 2020.</p> <p>The uncertainty surrounding, and subsequent results of, any local government reorganisation could adversely affect the Council and the delivery of services for residents.</p>			<p>Surrey's proposal was not one of three that the government invited to take forward. It has also been confirmed that, at present, the government is not pursuing a mandatory top down reorganisation.</p> <p>In July 2021 the Prime Minister confirmed that a white paper on devolution and 'levelling up' will be published in the latter part of 2021. Further to the prime minister's speech, the Secretary of State wrote to all local authority Leaders and Chief Executives in July 2021 and provided additional detail on the government's plans.</p> <p>The Council will continue to proactively seek to influence the debate on the future structure of local government within Surrey.</p>	
<p>SR4</p>	<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 has changed the way the Council operates, the context within which it does so, and will similarly drastically change the organisational culture and ways of working.</p> <p>The Council will continue to be ambitious and new ways of working will need to be embraced by both members and officers for objectives to be achieved. Key to this is ensuring that staff welfare and wellbeing is maintained, particularly in the challenging circumstances caused by the pandemic.</p>	<p>Cllr Lewanski</p>	<p>AMBER</p>	<p>Before the COVID-19 pandemic significant work was undertaken on the Council's Great People work programme and has formed a solid basis for post COVID planning.</p> <p>The pandemic has resulted in a need for the organisation to work differently. Projects in this area are being taken forward by the Organisation Board.</p> <p>We are continuing to give priority to understanding and addressing staff welfare and wellbeing issues. An officer working group is meeting and is taking an action plan forward to address wellbeing issues associated with the continuation of remote working.</p>	<p>—</p>

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	<p>The failure to remain ambitious and adapt to the ongoing challenges of the pandemic will risk the delivery of corporate objectives.</p>			<p>The HR team has continued to promote training and development opportunities for managers and staff around managing their wellbeing and different ways of working.</p> <p>Before COVID-19 the Employment Committee considered and endorsed the organisation’s approach to developing the Council’s vision, values, and behaviours. The next steps to this piece of work are being reviewed in the context of COVID-19.</p> <p>As recently agreed by the Employment Committee, the recruitment of a new Chief Executive will be paused and reconsidered later in 2021. Suitable plans are in place within the Management Team to cover all duties.</p> <p>A new Strategic Head of Corporate Resources joined the Council in June 2021.</p>	
<p>SR5</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 has resulted in significant negative impacts upon the economy, which will continue to be felt for some time.</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 fees and charges 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 June 2021) shows that Reigate and Banstead continues to have the highest number of furloughed employees in Surrey. The government’s Jobs Retention Scheme has been extended until the end of September 2021, though the scheme has begun to taper as businesses are now required to pay 10% of furloughed employees’ wages. This will increase to 20% in August 2021. The scheme has supported a significant number of jobs in the borough and for residents that work outside of Reigate and Banstead. Its gradual removal could therefore result in an increase in unemployment and businesses struggling,</p>	

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				<p>which could similarly have a knock-on demand for Council services.</p> <p>The Council has been active in helping to support local businesses using virtual platforms throughout the COVID-19 pandemic.</p> <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, and has similarly signposted businesses to other sources of grants and government support.</p> <p>An East Surrey COVID-19 recovery taskforce has been launched by local MPs. The Council will continue to proactively engage with this group. The taskforce continues and has been successful in encouraging a greater number of businesses to apply for funding to the Coast-Capital Local Enterprise Partnership. The partnership is looking into securing funding for local infrastructure projects.</p> <p>During Q1 the Council submitted a bid to the Government's 'Levelling up Fund'. The bid was for Horley and was supported by the local MP. The Council will find out the result of the bid in the coming months.</p> <p>The 'R&B Works' project launched in 2020/21. This project highlights and provides support towards local employment opportunities for residents. The Council is continuing to promote and enhance the website and a launch event will take place in Q2.</p>	

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<p>SR6</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. The latter could result in an increase in cost pressures on the Council as our services are increasingly relied upon.</p>	<p>Cllr Neame</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 (see SR5). The scheme will now conclude at the end of September 2021.</p> <p>The Council continues to administer Test and Trace support payments.</p> <p>The range of Council services that work directly with residents’ report that the needs of local people are becoming more complex, with residents requiring support with debt, alcoholism, domestic abuse, and substance misuse. This is an increasing trend and is being closely monitored.</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 monitored and services adjusted/scaled up if required. Additional resourcing has been identified to support the service.</p> <p>We continue to work closely with partners to manage the effects of upcoming welfare and homelessness changes, including the YMCA,</p>	<p>—</p>

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				<p>Raven Housing Trust, Surrey County Council and primary care networks.</p> <p>The Council has 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. As of the end of Q1, the bid of which the Council is part, has made it to the final round (last 20 applicants, of 70). Of the 20, 15 will be allocated grants of up to £3.4 million to tackle a range of health, wellbeing, and housing issues.</p> <p>The courts are now operating and are able to issue possession orders. However, the ban on bailiff enforcement action expired on 31 May. Bailiffs are now executing possession warrants. June 2021 resulted in an increase in contact to the Council's Housing service, which may result in elevated homelessness support cases.</p> <p>The long-term effects of the pandemic will likely result in residents continuing to require support from Council services. This is particularly acute for those in receipt of support but who do not meet the threshold for adult social care support. The Council continues to provide a scaled back Covid-19 welfare offer in response to resident need. Consideration is being given to the provision of a pilot scheme to support residents with ongoing welfare needs and who do not meet the threshold of adult social care.</p>	

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SR7	<p>Cyber security</p> <p>Organisations are at an ever-increasing risk of cyber-attack as the use of digital systems and technologies increases, particularly as home working has become the norm in response to the COVID-19 pandemic.</p> <p>More sophisticated attacks and new variants of malicious software underscore the risk of corporate defences being compromised.</p> <p>The effects of a cyber-attack are wide and varied though at their worst could result in data destruction and theft, as well as significant disruption to the delivery of services.</p>	Cllr Lewanski	AMBER	<p>ICT reports data security matters to the Senior Information Risk Officer (SIRO). The ICT customer base is kept informed of any specific threats and will be continually reminded to be vigilant when opening email or browsing websites, particularly those from unknown sources. If the ICT team believes that expenditure is required to improve defences an urgent business case will be raised and presented to the SIRO for consideration by the Organisation Board.</p> <p>ICT has worked with the National Computer Centre to implement a statement of works to improve the Council's cyber security. The work concluded in March 2021 and resulted in a work plan which will inform future improvements to the Council's cyber security in 2021/22.</p>	■
SR8	<p>Fraud</p> <p>Due to the wide range of activities 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 Council continues to have robust control measures in place to protect public funds from fraudulent activity.</p> <p>In 2020/21, the Council's internal auditors undertook reviews into: Covid-19 Business Support Grants and discretionary grant payments. Both reviews resulted in a 'substantial assurance' opinion, with no management actions recommended.</p> <p>The Council's Fraud and Financial Investigations team proactively monitors and investigates many possible areas where fraud may occur.</p>	■

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				A staff fraud awareness programme has been developed and has been implemented in Q1 of 2021/22, with training of teams taking place.	
SR9	<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. It will also generate income which can be reinvested in Council services.</p> <p>The ongoing economic fallout of the COVID-19 pandemic may have negative impacts on this development, particularly with regards to securing commercial tenants and its consequent financial viability.</p>	Cllr Biggs	AMBER	<p>The project continues to be on track.</p> <p>Appropriate terms for the main build contract with Vinci have been negotiated. The Council has entered into a building contract which reduces financial risk by fixing a high proportion of outstanding costs.</p> <p>Funding for the project has been secured from the Local Enterprise Partnership (LEP).</p> <p>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.</p> <p>A cinema operator has been selected and a lease agreement is being finalised with a major retailer for a retail unit.</p> <p>As a consequence of the national materials shortage throughout the construction industry, work is being carried out to ensure that materials are being ordered in advance of when they are required to avoid delays on site.</p>	—
SR10	<p>Gatwick Airport</p> <p>The COVID-19 pandemic will continue to negatively impact on Gatwick airport. The outbreak has seen a large reduction in air travel which can be expected to continue for the foreseeable future due to the negative</p>	Cllr Humphreys	RED	<p>The situation at Gatwick Airport is being closely monitored.</p> <p>Our neighbouring borough of Crawley (the local authority area in which Gatwick is located) has one of the highest numbers of</p>	—

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	<p>economic outlook and ongoing global travel restrictions.</p> <p>As a key local employer the financial position of the airport will affect local employment, which may result in an increased number of residents seeking support from the Council.</p> <p>Moreover, despite the negative economic outlook, Gatwick Airport have indicated that they will continue to pursue their previously announced expansion plans. An intensification or expansion of Gatwick has attendant local environmental and infrastructural risks.</p>			<p>furloughed workers in the country, a significant portion of whom work at Gatwick. As noted above, Reigate and Banstead also has the highest number of furloughed employees in Surrey.</p> <p>It is likely that a high number of Reigate and Banstead residents are on furlough from Gatwick and its associated supply chain. This will continue to be closely monitored through to the planned end of the furlough scheme in September 2021.</p> <p>British Airways had recommenced some long-haul flights from Gatwick last year, however short haul flights have moved to Heathrow and are not expected to return to Gatwick until the end of October 2021.</p> <p>There have been circa 1,400 redundancies at Gatwick (this figure does not include job losses in the associated supply chain). Passenger numbers are down by 80% on pre-pandemic levels.</p> <p>Prior to third lockdown announced before Christmas 2020, Gatwick had indicated some confidence of returning to around 50% of normal capacity in the summer of 2021. Recovery is subject to the success of the government’s vaccination program and will be limited by any future travel restrictions. However, as of end of Q1 2021/22, Gatwick continues to operate at reduced levels.</p> <p>Gatwick is continuing to pursue its plans for expansion and is currently undertaking studies</p>	

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				into the impacts of the proposal in advance of submitting a Development Consent Order. The Council will continue to work closely with other local authorities surrounding the airport to monitor potential local implications and respond to proposals.	
SR11	<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, the current White 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>	Cllr Biggs	AMBER	<p>In Q2 2020/21 the Council responded to the consultation and lodged its opposition to the White Paper's proposals, principally in regard to the potential loss of affordable housing in the borough. The consultation closed on 29 October 2020.</p> <p>As of the end of Q1 2021/22, the outcomes of the Government's proposals for structural reform of the planning system are still unknown as a Parliamentary Bill has not been published following the White Paper. However, the government has recently confirmed that the plan to reduce the threshold for affordable homes from developments of 11 homes to 40 or 50 is not being pursued, meaning that medium sized developments will still be required to provide affordable housing.</p> <p>As such, in Q1 2021/22 reporting this risk is recommended for closure, with a new strategic risk raised to reflect the current implications of the government's plans for reform in this area. Annex 5 of this agenda pack provides additional information.</p>	