

ANNEX 1 – Q2 2020/21 STRATEGIC RISKS UPDATE

Ref.	Risk description	Owner	Rating	Mitigating actions/update	Direction of travel
SR1	<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>	Cllr Schofield	RED	<p>As of the end of Q2 the UK government and EU have not negotiated a new trading arrangement to take effect following the end of the transition period on 1 January 2021.</p> <p>Earlier in the year the UK government did not exercise the option to extend the transition agreement. This has therefore increased the likelihood of a no deal Brexit as there is now a limited timeframe for the negotiation of new trading arrangements.</p> <p>As part of previous Brexit preparations, the Council's supply chains have been reviewed.</p> <p>The Council continues to monitor the advice and guidance issued by the Government and the Local Government Association and take any steps that are required.</p>	—
SR2	<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>	Cllr Schofield	RED	<p>The Council's Medium-Term Financial Plan was reported to the Executive in July 2020. This sets out the forecast budget challenges over the coming five years. It will form the basis for service & financial planning for 2021/22 onwards.</p> <p>COVID-19 has resulted in material new financial risks, both in 2020/21 and potentially over the medium term. Additional unbudgeted expenditure has been incurred to deliver the authority's response and budgeted sources of</p>	—

ANNEX 1 – Q2 2020/21 STRATEGIC RISKS UPDATE

Ref.	Risk description	Owner	Rating	Mitigating actions/update	Direction of travel
	<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>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 but there remains uncertainty about funding support for lost income from fees & charges and local taxes in 2020/21 as well as about whether income levels will return to pre-COVID levels in the remainder of the year and beyond.</p> <p>In Q2 the Council has submitted the first claim to Central Government for lost income as a result of the COVID-19 pandemic.</p> <p>The importance of: (i) adopting and implementing strategies that support sustainable income generation and (ii) taking forward income generating projects such as Horley Business Park, remains a high priority. Part 1 of a new Commercial Strategy will be considered by the Executive Committee in Q3, and will provide the parameters for the allocation of identified commercial budgets. External advice is also being taken as to appropriate commercial structures, roles and responsibilities.</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 a new devolution agenda.</p>	Cllr Brunt	AMBER	<p>In response to the expected government White Paper on local government reorganisation, earlier this year Surrey County Council announced its intention to develop a proposal for a single unitary authority to cover the county. Surrey’s proposal was not one of three that the government invited to take forward.</p>	■

ANNEX 1 – Q2 2020/21 STRATEGIC RISKS UPDATE

Ref.	Risk description	Owner	Rating	Mitigating actions/update	Direction of travel
	<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>			<p>The government has announced that the expected White Paper will now follow in 2021. It has also been confirmed that, at present, the government is not pursuing a mandatory top down reorganisation.</p> <p>The Council will continue proactively seek to influence the debate on the future structure of local government within Surrey alongside the other districts and boroughs and county council.</p> <p>Irrespective of the ongoing debate on devolution and reorganisation, the Council's neighbouring and partner authorities are operating in the same strained financial circumstances as detailed in SR2 above. The financial failure of a neighbouring or partner authority is therefore still a risk.</p>	
<p>SR4</p>	<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>	<p>Cllr Schofield</p>	<p>AMBER</p>	<p>Our partner public sector organisations are operating in a similarly challenging financial context as detailed in SR2 above.</p> <p>As noted in 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>—</p>

ANNEX 1 – Q2 2020/21 STRATEGIC RISKS UPDATE

Ref.	Risk description	Owner	Rating	Mitigating actions/update	Direction of travel
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> <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>	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: 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</p> <p>Priority is currently being given to understanding and addressing staff welfare and wellbeing issues. A survey has taken place and the results are currently being analysed and an action plan will be formulated.</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>	—
SR6	<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>	Cllrs Humphreys and Schofield	RED	<p>The latest available data shows that Reigate and Banstead continues to have the highest number of furloughed employees in Surrey. We will closely monitor the impact of the ending of the government’s Job Retention (furlough) scheme on 31 October and the impact on local residents and businesses.</p>	—

ANNEX 1 – Q2 2020/21 STRATEGIC RISKS UPDATE

Ref.	Risk description	Owner	Rating	Mitigating actions/update	Direction of travel
	<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>During the quarter the government announced the successor to the furlough scheme.</p> <p>In the autumn 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 and to support the growth of local skills. The Council will work in partnership with the Department for Work and Pensions and Tandridge District Council to provide support in finding work and developing skills to young unemployed residents and those facing redundancy.</p> <p>The Council continues to be active in supporting local businesses. This includes the processing of business grants and applications for business rate relief. The Council has also distributed money to businesses via the local authority discretionary grant fund.</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>During the quarter the government announced the Test and Trace support payment. The Council has setup processes to take applications and make payments.</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</p>	<p>■</p>

ANNEX 1 – Q2 2020/21 STRATEGIC RISKS UPDATE

Ref.	Risk description	Owner	Rating	Mitigating actions/update	Direction of travel
				<p>increased universal credit claimants in the borough.</p> <p>Evictions were temporarily suspended following the COVID-19 pandemic. The courts reopened in September and will recommence evictions and work through a backlog of cases. The Housing service will likely experience an increase in homelessness applications from families.</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 annual 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.</p>	—
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</p>	—

ANNEX 1 – Q2 2020/21 STRATEGIC RISKS UPDATE

Ref.	Risk description	Owner	Rating	Mitigating actions/update	Direction of travel
				assurance' was received, with no management actions recommended. An audit on discretionary grant payments is ongoing and will report shortly.	
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 Humphreys	AMBER	<p>The project continues to be on track. Enabling work has continued despite the COVID-19 pandemic. Office based staff are working remotely and social distancing measures are in place on site. These 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> <p>The current economic climate may make securing pre-let agreements – particularly for the cinema operator – difficult. This will be continually monitored alongside the Council's commercial agent.</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>	↑

ANNEX 1 – Q2 2020/21 STRATEGIC RISKS UPDATE

Ref.	Risk description	Owner	Rating	Mitigating actions/update	Direction of travel
				<p>In the last few weeks of the quarter an increasing number of flights have operated from Gatwick.</p> <p>British Airways recommenced some long-haul flights from Gatwick in Q2, however short haul flights have moved to Heathrow and are not expected to return to Gatwick until 2021.</p> <p>As of 29 September there have been 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>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>RED</p>	<p>This risk was raised for inclusion on the risk register in Q1 2020/21.</p> <p>On 12 October the government announced a new local COVID-19 alert level framework. This was supplanted, however, by the recently announced national lockdown from 5 November 2020, upon the conclusion of which the tier system will recommence.</p> <p>The Council has plans in place to respond to a second wave and/or local lockdown or restrictions under the government’s new framework. These plans include providing support services to residents and businesses as well as maintaining business continuity and the delivery of core statutory services.</p>	