	Audit and Standards Advisory Committee 26th September 2023
	Report from the Corporate Director of Finance and Resources
	Lead Cabinet Member - Deputy Leader and Cabinet Member for Finance, Resources & Reform
Strategic Risk Report	

Wards Affected:	All
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
List of Appendices:	Two: Appendix 1 – Strategic Risk Report Appendix 2 – Risk Management Strategy
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	Darren Armstrong, Head of Audit and Investigations Darren.Armstrong@Brent.gov.uk 020 8937 1751

1.0   Executive Summary

1.1.   This report provides an update on the Council's Strategic Risks as of September 2023. The update has been prepared in consultation with risk leads and the Council Management Team and summarises the risks that are considered to be of an impact and/or likelihood of materialising, and which may have an adverse effect on the achievement of the Council's corporate objectives.

1.2   The report also presents a new Risk Management Strategy. The strategy seeks to outline the Council's approach to risk management to support a robust and consistent process for managing risk and opportunities.

2.0   Recommendation(s)

2.1   The Committee is asked to note the report.

3.0   Detail

3.1   Contribution to Borough Plan Priorities & Strategic Context

3.1.1 Risk Management is a core element of the Council's corporate governance framework. The primary objective of risk management, as a process, is to identify, assess, manage and control potential events or situations that may prevent the achievement of objectives. The Council's approach to risk management, including the preparing of the Strategic Risk Report, is therefore closely linked and aligned to the Borough Plan priorities and forms an integral part of decision-making, business planning and performance management practices.

3.1.2 The overarching vision of the Risk Management Strategy is to assist the Council with achieving its Borough Plan priorities and objectives through the application of best practice risk management principles.

3.2   Background

3.2.1 The Strategic Risk Report, attached at Appendix 1, presents the Council's most significant risks which have the potential to significantly impact on the success of the Council as a whole. These risks are strategic, cross-cutting and have the potential to impact a range of different services or functions.

3.2.2 The Strategic Risk Report is owned collectively by the Council Management Team (CMT), with each risk assigned a Corporate Director as risk sponsor. The report is provided via a 'bottom-up' provision of risks from services and departments, which are deemed to require consideration at the higher level. Additionally, risks are also input directly via CMT.

3.2.3 Internal Audit is responsible for working with risk sponsors and nominated risk leads, in an advisory capacity, to review and update all strategic risks.

4.0   Strategic Risk Overview

4.1   Risk Exposure

4.1.1 The Strategic Risk Report was last updated in February 2023. Since then, the Council has continued to operate in a heightened risk environment owing to a number of external factors, including the current economic climate and the cost of living crisis. The Council's overall risk profile therefore continues to reflect the challenging risk environment the Council is operating in, with eight of the eleven strategic risks sitting outside of their target risk score.

4.1.2 There have been a number of changes to the Strategic Risk Report since the previous iteration, which are described in sections below. Seven of the current strategic risks were reported and reflected in the February 2023 iteration of the report, and of these, six are demonstrating a stable risk trend with scores

remaining consistent with those previously reported. In addition, one risk is showing a small downwards movement in risk score (-4).

4.1.3 Six strategic risks currently sit within the upper quartile of the heat map. The highest scoring risks, each with a risk score of 20, are as follows:

- Risk A. Cost of Living Crisis
- Risk B. Increase in Dedicated Schools Grant High Needs Block Deficit
- Risk C. Lack of Supply of Affordable Accommodation
- Risk D. Increase in the Use of Emergency Temporary Accommodation.

4.2 New Risks

4.2.1 Four risks have been added to the Strategic Risk Report.

4.2.2 A risk in relation to the *increase in the use of emergency temporary accommodation (Risk D)* has been added to reflect the growing demand from homeless households, coupled with the lack of affordable accommodation. This is resulting in an increased use of emergency temporary accommodation, at higher rates, which is causing additional pressure on the Council's financial position. This is a '*new*' risk that has emerged and materialised since the previous iteration of the report and, due to its evaluated risk score, it has been immediately escalated to the Strategic Risk Report

4.2.3 Three additional risks have been included within the Strategic Risk Report for the first time, as listed below.

- Risk E – Non-compliance with statutory housing duties
- Risk G – Serious child protection incident or wider safeguarding concern
- Risk H – Safeguarding incident – Adults.

4.2.4 Previously these risks had formed part of a wider suite of inherent risks that the Council manages on an ongoing basis, and which were held and monitored at departmental risk register level. However, following a review of how the Council's strategic risks are reflected and presented, and to ensure a consistent approach, these risks have now been added to the Strategic Risk Report. This also helps to further improve alignment between the Council's strategic risks and borough plan priorities.

4.2.5 It is important to note that these three risks are not 'new' risks, nor are they risks that have been escalated to the Strategic Risk Report due to increased risk scores or wider concerns. Instead, reflecting these risks presents a change in approach as part of ongoing efforts to continually improve and enhance the Council's risk management framework.

4.3 Closed Risks

4.3.1 One risk has been de-escalated from the Strategic Risk Report since the previous iteration of the report. This risk was in relation to the *increased demand from migration and people movement*, which was added to the Strategic Risk

Report in June 2022 to reflect rising service demand and pressures from increased levels of migration and people movement. The risk score is no longer at a level that requires escalation to the Strategic Risk Report and will now be monitored and reviewed at a departmental level. The risk will continue to be closely monitored and will be re-incorporated back into the Strategic Risk Register if or when deemed to be of a level that exceeds the appropriate tolerance.

4.4   Amendments to Risks

4.4.1   Amendments have been made to the individual risk scores of existing risks, as illustrated by the 'previous' and 'updated' risk score columns. Amendments have also been made to the detailed risk plans (section 4), where appropriate.

4.4.2   Target risk scores, which were a new addition to the report in February 2023, reflect the risk score that the Council is working towards achieving or maintaining. There have been no amendments to the target risk scores that were previously set.

4.5   Departmental Risk Registers

4.5.1   All Council departments are responsible for maintaining their departmental risk registers to ensure that all operational risks are effectively managed, and to ensure that risks are escalated to the Strategic Risk Report, via CMT, where risk scores exceed agreed tolerances.

4.5.2   To this end, all departmental risk registers were reviewed and updated, as appropriate, prior to preparing the Strategic Risk Report. Internal Audit continues to liaise with all departments to provide risk management support and to assist with the updating of their risk registers. Internal Audit also comment on the completeness and reasonableness of the information provided and use the information within the risk registers to inform their annual and in-year audit planning processes. This helps to ensure that audit resource is effectively targeted at providing assurance on the highest risk areas.

4.6   Risk Management Strategy

4.6.1   The Council's risk management framework has previously been governed and directed by a 'Risk Management Policy and Strategy', which was last updated and published in 2017 and was therefore out of date and in need of review.

4.6.2   A new 'Risk Management Strategy' has subsequently been prepared and is attached at Appendix 2. This presents a significant revamp that seeks to outline the Council's approach to risk management, to support a robust and consistent process for managing risks and opportunities. The strategy has been designed to serve as an accessible and practical resource to guide risk management and seeks to embed a culture that exemplifies best practice and high levels of risk maturity.

4.6.3 The strategy has been drafted to ensure that the Council's risk management arrangements remain fit for purpose, but also complement other elements of the Council's governance processes.

4.6.4 A key addition to the strategy is the articulation of a risk appetite statement (section 2.3). Risk appetite is typically defined as the amount and type of risk that an organisation is willing to take in pursuit of its objectives and is a key component of effective risk management. The risk appetite statement seeks to recognise that delivering the Council's strategic objectives is not without risk and some risks may need to be tolerated in order to innovate and improve. Equally, it is acknowledged that there are some risks that the Council should take every effort in managing and mitigating. The risk appetite statement therefore seeks to strike a balance between the Council's responsibility for managing risks against a need to work flexibly in delivering our strategic ambitions. To this end, the risk appetite statement defines six types of risks that the Council will seek to avoid.

4.6.5 Due to the significance and importance of the statement, it is envisaged that this will be reviewed and refreshed at regular intervals, where necessary and independently to the overall strategy, to reflect changes in the Council's risk profile.

4.6.6 Other key considerations to the Risk Management Strategy include:

- Risk management principles (section 2.2.) – to guide and underpin an effective risk culture across the Council.

- Roles and responsibilities (section 2.4) – to provide clarity regarding the roles and responsibilities of various levels and functions.

- Escalation triggers (section 2.7) – this provides a flexible approach in which departments will be responsible for agreeing escalation triggers specific to their services.

- Risk management process (section 3) – to guide the end-to-end process for managing all risks.

5.0 Stakeholder and ward member consultation and engagement

5.1 None.

6.0 Financial Considerations

6.1 There are no specific financial implications arising from this report, other than those already set out within the report.

7.0 Legal Considerations

7.1   All Local Authorities are required to have in place arrangements for managing risks, as stated in the Accounts and Audit Regulations 2015:

"A relevant authority must ensure that it has a sound system of internal control which:

(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives

(b) ensures that the financial and operational management of the authority is effective; and

(c) includes effective arrangements for the management of risk."

8.0   Equality, Diversity & Inclusion (EDI) Considerations

8.1   None.

9.0   Climate Change and Environmental Considerations

9.1   None

10.0   Communication Considerations

10.1   None

__Report sign off:__

Minesh Patel
Corporate Director of Finance and Resources