	Audit and Standards Advisory Committee 31 October 2024
	Report from the Corporate Director of Finance and Resources
	Lead Member - Deputy Leader and Cabinet Member for Finance & Resources (Councillor Mili Patel)
Strategic Risk Report	

Wards Affected:	All
Key or Non-Key Decision:	Not Applicable
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:	One Appendix 1 Strategic Risk Report
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	Darren Armstrong, Deputy Director Organisational Assurance and Resilience 020 8937 1751 Darren.Armstrong@Brent.gov.uk

1.0   Executive Summary

1.1.   This report provides the Committee with an update on the Council's Strategic Risks as of September 2024. The update has been prepared in consultation with risk leads and the Corporate Management Team (CMT) 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 Audit and Standards Advisory Committee plays a crucial role in ensuring that there is sufficient assurance over the Council's risk management arrangements that supports and underpins the Annual Governance Statement. While the Committee does not (and should not) manage risks, it should have a good understanding of the risk profile of the Council, seek assurances that active arrangements are in place on risk-related issues, and ensure there is adequate alignment with assurance activities (such as the work of Internal Audit).

1.3. The role of the Committee in relation to risk management can therefore be summarised across three main areas:

1) **Assurance over the governance of risk**, including leadership; integration of risk management into wider governance arrangements, such as decision-making processes; and the ownership of and accountability for risks.

2) **Keeping up to date with the risk profile and the effectiveness of risk management actions**, including an awareness of significant areas of strategic risks, major operational risks or major project risks and seeking assurances that these are managed and owned effectively.

3) **Monitoring the effectiveness of risk management arrangements** and supporting the development and embedding of good practice in risk management.

1.4. Since the last report that was brought to the Committee in March 2024 a number of risk scores have increased, including the lack of affordable housing and financial resilience. Two new risks concerning community cohesion and emergency preparedness have also been incorporated.

2.0 Recommendations

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, seen 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 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 coordinate the review and update all strategic risks.

3.3 Strategic Risks - Overview

3.3.1 The Strategic Risk Report was last updated in March 2024. Since then, the Council has continued to operate in a heightened risk environment due to various external factors, and the scale and magnitude of the risks should not be understated.

3.3.2 The Council's overall risk profile therefore continues to reflect this heightened risk environment, with eight of the fourteen strategic risks sitting outside of their target risk score. Key highlights and themes include:

- **Risk A – Lack of Supply of Affordable Accommodation**

  The Housing Needs Service has seen a 33% increase in demand from families and single people who are either threatened with homelessness or are homeless from 2021/22. This high demand is being driven by affordability issues, rising rents and the contraction of accommodation available in the Private Rented Sector (PRS), as owners of PRS accommodation evict tenants and exit the market. There is no indication that market conditions in the PRS are improving or that there will be an increase in supply during 2024/25. Due to the impact on the wellbeing and quality of life for residents in emergency temporary accommodation, and the increased financial burden through high costs and a subsidy loss from government, this risk is presenting an increased risk score of +5 since March 2024. This moves the risk to the highest possible risk score of 25 and it is now the Council's highest scoring risk.

  It should be noted that in previous iterations of the report this issue had been described across two separate risks: the first being a lack of supply of affordable accommodation; and the second being the increase in the use of temporary accommodation. However, as these two issues are interlinked and were essentially highlighting the same concerns, they have been combined into a single risk.

- **Risk H – Financial Resilience and Sustainability**

  In July 2024 Cabinet received a Quarter 1 position for 2024-25, which set out a forecast overspend of £10m due to the rise in homelessness and a reduction in the supply of affordable accommodation. This position has since worsened and is now a £16m pressure. In addition, a new pressure of

£9m has been identified against 'supported exempt accommodation'. Further actions are now necessary to manage this position with a requirement for services to deliver £10m of in-year savings, in addition to the £8m already being delivered. This risk has therefore increased to a score of 15 (impact:5, likelihood:3), which is an increase of +5 since March 2024.

3.3.3 There has also been several changes to the Strategic Risk Report since the previous iteration, which are described in sections below. Twelve of the fourteen strategic risks were reported in the March 2024 iteration of the report, and of these, eight are reporting a stable risk trend with scores remaining consistent with those previously reported.

3.3.4 One risk (Risk G: Cyber Attacks) is showing a small downwards movement in risk score (-1).

3.3.5 Eight strategic risks currently sit within the upper/red section of the heat map. The highest scoring risks, each with a risk score of 20 or above, are as follows:

- Risk A. Lack of Supply of Affordable Accommodation
- Risk B. Cost of Living Crisis
- Risk C. Increase in Dedicated Schools Grant High Needs Block Deficit
- Risk D. Risk to Community Cohesion

3.4 New Risks

3.4.1 Two new risks have been added to the Strategic Risk Report since the last iteration:

- **Risk D – Risk to Community Cohesion**

  This risk has been included to reflect the Council's awareness of emerging global and national events that could have a local impact and create tensions amongst communities that are otherwise coexisting peacefully. While the risk is scored high (score of 20), it is important to emphasise that this is a precautionary measure. To this end, the Council is proactively monitoring and managing the situation, and the inclusion of this risk should be viewed as a demonstration of our commitment to community resilience and to provide reassurances that appropriate measures are in place to manage the risk.

- **Risk K – Emergency Preparedness, Response and Recovery**

  This has been included to reflect the risk relating of a failure to adequately prepare for and/or respond to a major incident in Brent. Such risks may lead to an incident having a significant impact on the health, safety or wellbeing of residents, communities, businesses or staff, and may also lead to an inability to deliver critical services. The final report from the Grenfell Enquiry was published on 4th September 2024, highlighting a number of issues, areas and recommendations that the Council must consider.

This risk had previously formed part of a wider suite of inherent risks that the Council manages on an ongoing basis, and which were held and monitored at a 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, this risk has now been added into the Strategic Risk Report. It is therefore important to note that this is not a 'new' risk, nor is it a risk that has been escalated due to an increase in risk score or wider concerns. Instead, reflecting this risk presents an ongoing commitment to continually improve and enhance the Council's risk management framework.

3.5 Closed Risks

3.5.1 No strategic risks have been closed or de-escalated to a departmental level since the previous iteration. However, as detailed above, the 'lack of supply of affordable accommodation' and 'increase in the use of temporary accommodation' risks have been combined into a single risk.

3.6 Amendments to Risks

3.6.1 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.

3.6.2 Target risk scores introduced 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.

3.7 Action Plans

3.7.1 A new addition to this report is an enhanced action plan for each of the fourteen strategic risks. In previous iterations, risk owners have outlined actions they intended to implement to further address the risk, however, there was previously no system to follow-up and track these actions and whether they have had a positive impact on managing and mitigating the risk, or not. The enhanced action plan now includes a section to follow-up on actions that were previously outlined and assigns an action owner for increased accountability.

3.7.2 This addition was made following recommendations from the March 2024 LGA report, which advised on best practices for councils facing financial challenges. The report shared learnings from five councils with experience of financial or governance challenges, which either led to a S114 notice or capitalisation direction. This report contained a number of recommendations in relation to risk management, and while the Council already had robust arrangements in place to satisfy most of these recommendations, they were used as a guide to shape a forward plan for making further improvement and enhancement to the Strategic Risk Report.

3.8 Departmental Risk Registers

3.8.1 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.

3.8.2 To this end, all departmental risk registers were reviewed and updated prior to preparing the Strategic Risk Report and are available for CMT's review upon request. 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.

3.9 Risk Management Strategy

3.9.1 The Council's [Risk Management Strategy](#) was subject to a comprehensive review and update in Summer 2023. This presented a significant revamp that sought to outline the Council's approach to risk management, to support a robust and consistent process for managing risks and opportunities.

3.9.2 The strategy was updated to ensure that the Council's risk management arrangements remain fit for purpose, but also complement other elements of the Council's governance processes.

3.9.3 A key addition to the strategy was the articulation of a risk appetite statement. 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 Council's 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 at all cost.

3.9.4 Due to the significance and importance of the statement, it 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. To this end, there have been no changes made to the Council's risk appetite statement during this period.

3.10. Enhancing the Risk Management Framework

3.10.1 Over the last two years the Council has made a number of significant improvements to the Council's risk management framework, including:

- Developing and implementing a new Risk Management Strategy;
- Defining the Council's risk appetite;
- Improved impact and likelihood metrics;
- Introducing target risk scores;
- Enhancing the number and level of risks at a strategic level; and
- A more comprehensive approach to presenting the Strategic Risk Report.

3.10.2 As detailed above, as part of this iteration we have also enhanced the action plan to enable a more clear and transparent way of tackling actions to manage and mitigate risks.

3.10.3 It is however acknowledged that continuous improvement and enhancement is required to ensure that the Council's risk management framework and arrangements remain effective. To that end, two objectives and goals will guide future improvements:

1) Increased analysis and categorisation of departmental risks to provide more insight as to the full make up of the Council's risk profile.

2) To develop an integrated assurance plan to demonstrate a clearer link between assurance activities (by Internal Audit and other assurance providers) and the Strategic Risk Report.

4.0 Stakeholder and ward member consultation and engagement

4.1 None.

5.0 Financial Considerations

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

6.0 Legal Considerations

6.1 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."

7.0 Equality, Diversity & Inclusion (EDI) Considerations

7.1   None.

8.0   Climate Change and Environmental Considerations

8.1   None

9.0   Communication Considerations

9.1   None

Report sign off:

Minesh Patel
Corporate Director of Finance and Resources