

	<p align="center">Audit and Standards Advisory Committee 25 March 2025</p>
	<p align="center">Report from the Corporate Director of Finance and Resources</p>
	<p align="center">Lead Member - Deputy Leader and Cabinet Member for Finance & Resources (Councillor Mili Patel)</p>
<p>Strategic Risk Report</p>	

Wards Affected:	All
Key or Non-Key Decision:	Not Applicable
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
List of Appendices:	One Appendix 1: Strategic Risk Register
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	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 an update on the Council's Strategic Risks as of March 2025. The update has been prepared in consultation with risk leads and Departmental Management Teams 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.

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 Register, 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 Register 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 coordinate the review and update all strategic risks.

3.3 Strategic Risks - Overview

3.3.1 The Strategic Risk Register was last updated in September 2024. Since then, the Council has continued to operate in a heightened risk environment due to various external factors, and the scale of these risks, the full scale and magnitude of these 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 homeless from 2021/22 (5,498 total applications) to 2023/24 (7,300 total applications). The demand from homeless households from 1 April 2024 to 31 December 2024 was 5,094 (2,846 from single people and 2,248 from families), an average of 131 applications per week. If demand remains the

same this would result in a total of 6,797 applications for the year, a 7% reduction on the 2023/24 total number of applications.

This remains the Council's highest score risk with a score of 25.

- **Risk B – Cost of Living Crisis**

This risk continues to be one of the Council's highest scoring risks with a score of 20, with the risk score consistently remaining at this level.

Demand for support from Brent Hubs remains high. Most common needs which residents present with at the Hubs are form filling such as Housing, Council Tax Support and RSF applications (22%), food and fuel aid enquiries (18%), housing and homelessness enquiries (13%), Council Tax (11%), welfare benefits (11%), and other presented needs (25%), such as, housing benefit, debt and money enquiries, employment, general support and immigration. The overall trend in the past 12 month is increasing demand, with a more gradual and upward trend.

- **Risk C – Increase in Dedicated School Grants High Needs Block Deficit**

This risk also continues to be of the Council's highest scoring risks, also with a score of 20.

The DSG has carried a deficit balance since 2019-20 and the cumulative balance carried forward from 2023/24 was £13.2m. With the current in year DSG forecast deficit of £0.4m, this will increase the overall deficit to £13.6m. To help manage pressures against the High Needs Block of the DSG, Schools Forum have agreed on an annual basis a 0.5% transfer from the Schools Block i.e., £1.4m in 2024/25 and £1.5m in 2025/26. There is limited opportunity to recover the historical deficit, due to systemic issues related to the national implementation of the Children and Family Act in 2015 that affect most local authorities in England. The regulations that are in place to carry forward a deficit balance against the DSG were due to end in 2022/23. However, this statutory override was extended until 2025/26. A range of agencies (LGA, ISOS, NAO) have raised concerns with the new government about the sustainability of the current national SEND system. National reforms are anticipated but it is not yet known how they might impact on Brent.

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

This risk has increased from a score of 15 in the last update in September to a score of 20 (increase in Likelihood from 3 to 4)

In February 2024, Council agreed the budget for 2024/25, which included £4.4m of savings to be delivered in 2025/26. Subsequently, due to ongoing high demand for temporary accommodation, at the July MTFS update to Cabinet a further £30m gap was identified for the period 2025/26 to 2027/28,

with £16m of this gap falling in 2025/26. As a result of this, the budget for 2025/26 approved by Full Council in February 2025 included an additional £4.5m of service area savings (taking the total for 2025/26 to £8.9m), a revised Council Tax Support Scheme (approved separately), generating a net additional £5m of Council Tax income for Brent's budget and £6.5m of operating efficiencies to be delivered by services in 2025/26. These additional savings will take the total cumulative savings to £238m by the end of 2025/26. The report also highlighted the significant risks, issues and uncertainties with regards to the Council's Medium Term Financial Strategy (MTFS) caused by high levels of inflation and interest rates, low growth in the economy, increased demand for key services, the effects of the cost-of-living crisis and uncertainty in government funding.

3.3.3 There has also been a number of changes to the Strategic Risk Register since the previous iteration, which are described in sections below. 10 risks are reporting a stable risk trend with scores remaining consistent with those previously reported in September.

3.3.4 One risk is presenting an upwards trend in risk score:

- Risk H – Financial Resilience and Sustainability (+5)

3.3.5 Three risks are presenting a downwards trend in risk score:

- Risk G – Cyber Attacks (-4)
- Risk J – Recruitment and Retention (-3)
- Risk L – Safeguarding Incident Adults (-2)

3.3.6 Seven risks currently sit within the upper/red section of the heat map. These risks each with a risk score of 20 or above:

- 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
- Risk E. Climate Emergency (adapting to climate risks)
- Risk F. Climate Emergency (reaching carbon neutrality)
- Risk H. Financial Resilience and Sustainability

3.4 New/Closed Risks

3.4.1 There have been no new risks added to this risk register since the last update. Similarly, no risks have been closed or de-escalated to a departmental level since the previous iteration.

3.5 Amendments to Risks

- 3.5.1 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.
- 3.5.2 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.

3.6 Action Plans

- 3.6.1 A new addition to the September 2024 iteration of the report was an enhanced action plan for each of the fourteen strategic risks. In prior iterations, risk owners had 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.
- 3.6.2 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.
- 3.6.3 81 actions were proposed in the last update in September. Of these: 30 have been implemented (37%); 49 (60%) are in progress and 2 have not yet commenced. 22 new actions have been proposed.
- 3.6.4 It's important to note that the monitoring of the number of actions completed requires a longer-term perspective across multiple updates to the report. It should also be noted that some actions are not isolated one-off tasks (e.g., "*continuing to work with Private Sector property owners to procure affordable accommodation*"). Therefore, the Committee is advised to evaluate actions in the context of each specific risk, considering whether the completed actions have effectively impacted the risk scores.

3.7 Directorate/ Departmental Risk Registers

- 3.7.1 All Council directorates and 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 Register, via CMT, where risk scores exceed agreed tolerances.
- 3.7.2 To this end, all directorate and departmental risk registers were reviewed and updated, as appropriate, prior to preparing the Strategic Risk Register. 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.

3.8 Risk Management Strategy

3.8.1 The Council's [Risk Management Strategy](#) was subject to a comprehensive review and update in Summer 2023. This presented 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.

3.8.2 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.

3.8.3 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.

3.8.4 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. To this end, there have been no changes made to the Council's risk appetite statement during this period.

3.9 Enhancing the Risk Management Framework

3.9.1 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 Register.

3.9.2 As detailed above, we have also enhanced the action plan to enable a more clear and transparent way of tracking actions to manage and mitigate risks.

3.9.3 Grant Thornton, External Auditors, commented in their Annual Report 2023-24 that the Council has '*sound risk management arrangements*'. The report also

stated that *'The Council's updated Risk Management strategy aligns with corporate objectives and has been effectively implemented with ongoing improvements to the risk management framework. The addition of a risk appetite statement and the inclusion of climate-related risks into the Strategic Risk Register reflect the Council's commitment to effective risk management'*. The recent LGA Corporate Peer Challenge also commented that the Council has *'sound risk management arrangements'*.

3.9.4 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 makeup 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 Register.

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 Equity, 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:

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