



**RHONDDA CYNON TAF COUNTY  
BOROUGH COUNCIL**

**Risk Management Strategy**

December 2018 (Updated)

## **1. Introduction**

- 1.1 Risk management is an integral part of management practice. Managing the risks that may impact on the Council's ability to deliver services as intended and in doing so help improve the quality of life for local people is at the forefront of the Council's forward planning arrangements.
- 1.2 The aim of this document is to set the overall purpose and framework of risk management within the Council.
- 1.3 Risk management is the business of everyone in the Council.

## **2. Purpose of Risk Management in Rhondda Cynon Taf**

- 2.1 In Rhondda Cynon Taf, at a strategic level, the purpose of risk management is to identify and manage the risks the Council faces when delivering its improvement priorities. At an operational level, risk management is about identifying and managing risks associated with service delivery and is undertaken via the Council's delivery (business) planning and monitoring arrangements.
- 2.2 This strategy is designed to ensure that sound risk management practices are in place, including processes to identify, assess and manage risk on an ongoing basis.
- 2.3 Understanding the risks the Council face and managing them appropriately aides effective decision-making and contributes to the achievement of its improvement priorities. Risk management is not about eliminating risk and should not be confused with being risk averse; the Council's risk management arrangements aim to encourage innovation within a clear framework.

## **3. Definition**

- 3.1 Risk is the uncertainty of outcome, whether a positive opportunity or a negative threat, of actions or events. The Council's definition of risk is '*something happening that, should it occur, would impact on the Council's ability to successfully achieve its improvement priorities*'.

## **4. Well-being of Future Generations Act**

- 4.1 The Well-being of Future Generations (Wales) Act 2015 identifies a core set of activities that are common to the corporate governance of public bodies where change needs to happen:
  - Corporate Planning;
  - Financial Planning;
  - Workforce Planning;
  - Procurement;
  - Assets;
  - **Risk Management**; and
  - Performance Management
- 4.2 The accompanying guidance to the Act states that a public body will need to change the way it manages risk. Under section 3 of 'where change needs to happen' of the Welsh Government Guidance, it states that:

*“There will be long term risks that will affect both the delivery of your services but also the communities you are enabling to improve. Use the well-being goals and five ways of working to frame what risks you may be subject to in the short, medium and long term and together with the steps you will take to ensure they are well managed”.*

- 4.3 The Council’s Strategic Risk Register incorporates controls and actions that aim to manage the risks, and these incorporate the five ways of working:
- **Involving** a diversity of the population in the decisions that affect them.
  - Working with others in a **Collaborative** way to find shared sustainable solutions.
  - Looking to the **Long-term** so that we do not compromise the ability of future generations to meet their-own needs.
  - Taking an **Integrated** approach so that public bodies look at all the well-being goals in deciding on their well-being objectives.
  - Understanding the root causes of issues to **prevent** them from occurring.

## **5. The Performance Management Framework and Risk Management**

- 5.1 The Council’s performance management framework (incorporating strategic risk management) aligns the outcomes contained in the Cwm Taf Well-Being Plan for the County Borough with the Council’s Improvement Priorities.
- 5.2 Risk management has a strong link to performance management: if risks are not managed effectively then it is unlikely the Council will deliver its improvement priorities as planned nor make the intended contribution to the long term vision for the County Borough as set out in the Cwm Taf Well-Being Plan.
- 5.3 The supporting ‘internal’ processes that the Council has in relation to delivering its improvement priorities are encompassed within its Service Delivery Planning arrangements.
- 5.4 Service Delivery Plans set out the key priorities for each service to be delivered over 12-18 months; they incorporate operational risks to the achievement of each priority along with actions and milestones against which progress is monitored. These arrangements help each Service Area to:
- Support delivery of the [Council’s Corporate Plan](#) priorities;
  - Demonstrate how the service is aligning with the requirements of the [Well-being of Future Generations Act](#);
  - Provide a framework to ensure the priorities arising from the Council’s Corporate Assessment are addressed; and
  - Enable the service to identify and manage operational risks.
- 5.5 Regular monitoring enables senior managers to understand risks within their services, the changes occurring within them and what mitigating actions need to be put in place.

## **6. Internal Control and Risk Management**

6.1 The Council's system of internal control has a key role in the management of risks. Internal controls are a response to risk.

6.2 The links between internal control and risk management are identified within the Accounts and Audit (Wales) Regulations 2018 (regulation 4), which states:

*'Responsibility for internal control and financial management:*

(1) *The local government body shall be responsible for putting in place and ensuring that there is a sound system of internal control which facilitates the effective exercise of that body's functions and which includes:*

- a. arrangements for the management of risk; and*
- b. adequate and effective financial management.*

(2) *The local government body shall conduct a review at least once in a year of the effectiveness of its system of internal control and shall include a statement on internal control, prepared in accordance with Proper Practices.'*

6.3 Proper Practices are deemed to be the Code of Practice for Local Authority accounting which specifies:

*'A local authority shall undertake a review of its system of internal control in accordance with best practice. Delivering Good Governance in Local Government, published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE), recommends that the review be reported in an Annual Governance Statement.'*

6.4 In addition to the Accounts and Audit (Wales) Regulations 2018 (regulation 4), in a Local Government context, the importance of risk management as a key governance tool is incorporated within the CIPFA/SOLACE Delivering Good Governance in Local Government – Core Principle F:

*'Managing risks and performance through robust internal control and strong public financial management*

*Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.'*

6.5 The Council's Senior Leadership Team (SLT) has put in place a series of Policies and Procedures that aim to ensure that robust controls are in place to manage risk efficiently and effectively in order to deliver its services. SLT

receives regular assurance from internal and external sources around the strength of its internal control environment.

## **7. The Council's Audit Committee & Scrutiny function**

7.1 The Council's Audit Committee is charged with overseeing the Council's governance, risk management and internal control arrangements. The statement of purpose for audit committee and relevant sections of its terms of reference state:

*The purpose of the Audit Committee is to monitor the adequacy of the risk management framework and the associated control environment; provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment; and to oversee the financial reporting process.*

7.2 Section 'E' of the Committee's terms of reference goes on to state:

*Review, scrutinise and issue reports and recommendations on the appropriateness of the Authority's risk management, internal control and corporate governance arrangements, and providing the opportunity for direct discussion with the auditor(s) on these*

7.3 Monitoring of the Council's strategic risks is integrated into its Performance Reports and reviewed on a quarterly basis by the Council's scrutiny function. Risks are identified, assessed and scored using a matrix of impact and likelihood, and the outcome of the scoring process results in a score being attributed.

7.4 The Council's strategic risks are brought together into a Strategic Risk Register that is owned and monitored by the Council's Senior Leadership Team.

7.5 Operational risks are monitored and managed separately as part of the Council's Delivery Planning arrangements.

## **8. Risk Management – Links to other disciplines**

8.1 Controlling risk involves a process of reducing the impact and / or likelihood of the risk occurring.

8.2 A number of disciplines are applied across the Council to help achieve this:

- Procurement can be used to manage risks by appointing contractors to undertake services on behalf of the Council and contracts can be used to transfer identified risk(s);
- Insurance can be used to manage risks (for example, the potential financial impact of a risk could be mitigated using an insurance policy); and
- A business continuity plan is a control that can help to manage the impact of an event that may arise.

## **9. Partnerships**

- 9.1 Partnership working is playing an increasingly important role in service delivery. In recent years, the focus for the Council has been on the opportunities offered by partnership and joint working arrangements.
- 9.2 Working in partnership usually means committing resources such as time and/or direct funding to develop and deliver desired outcomes. It may not be easy and, whilst there are opportunities there are also risks. It is important to understand and manage these in so far as they affect both the partnership and Council.

### Potential benefits of partnership working

- Better co-ordination and integration in the delivery of services for users.
- Flexibility and innovation, producing better policy and implementing more credible solutions than those achievable by single agencies.
- Improved communication and information-sharing.
- More efficient and effective use of resources to deliver value for money, including access to additional skills and expertise.
- Greater capacity to plan and develop solutions, including pooling expertise and resources.

### Potential risks of partnership working

- Lack of clear purpose or setting unrealistic goals and expectations.
- Unaware of the extent of financial and legal implications, such as breach of statutory duty or failure in the exercise of statutory functions.
- Financial and time commitments outweigh potential benefits.
- Different or conflicting cultures, behaviours and policies lead to conflict, distrust, manipulation or domination.
- Lack of clarity over partner expectations and responsibilities.
- Inadequate governance and scrutiny over planning, decision-making and management of finance, risk and performance.

## **10. Projects**

- 10.1 Project risk management defines how risks will be managed during the lifecycle of a project or programme. The arrangements acknowledge actual and potential threats to the successful delivery of a project and determine the activities required to minimise or eliminate them.
- 10.2 Where partners and/or suppliers are involved, it is essential to have a shared understanding of risks and agreed plans for managing them.

## **11. Risk Management - An Overview**

- 11.1 A toolkit has been devised that provides managers with a guide when undertaking risk management activities at all levels across the Council. The toolkit is a supporting document to this Strategy.
- 11.2 Figure 1 shows the stages involved in the Council's strategic risk management arrangements.

**Figure 1 – Strategic Risk Management Arrangements**

