RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

Risk Management Strategy

'Mae'r ddogfen hon ar gael yn Gymraeg / This document is also available in Welsh'

April 2025

Date of next review: April 2026

1.   Introduction

1.1   Risk management is an integral part of good management and corporate governance and is central to the Council's service planning and delivery arrangements. Effective risk management arrangements help the Council to deliver effective and efficient public services.

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 the purpose of risk management is to identify and manage the risks the Council faces when delivering its Well-being Objectives as set out within the Corporate Plan 'Working with our Communities'. The Council's strategic risks are set out in a Strategic Risk Register, and this is a document that is publicly reported and scrutinised on a quarterly basis as part of the Council's performance reporting arrangements. At an operational level, risk management aims to identify and manage risks associated with service delivery. It is undertaken via the Council's delivery (business) planning and monitoring arrangements.

2.2   This Risk Management 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   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 Well-being Objectives'.*

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, these incorporate the five ways of working (ICLIP), these are:

- **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   Performance Management is about setting a clear direction with measures of success that put residents at the centre of what the Council does. This is done by putting in place consistent and robust arrangements across the Council that support service performance, improvement and change.

5.2   Performance Management arrangements include timely and proportionate performance monitoring of Corporate Plan priorities, an annual Service Self Evaluation process and Service Delivery Plans (incorporating relevant performance measures and risk) and help ensure staff are clear about their individual and their team's priorities.

5.3   The supporting 'internal' processes that the Council has in relation to delivering its 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 the short and medium term, and 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 support the Council's legal responsibilities in this regard; and
- enable the service to identify and manage operational risks.

5.5   The governance arrangements around the Council's Service Self- Evaluation[1] and Service Delivery Planning processes are set out in Table 1.

Table 1 – Governance Arrangements: Service Self Evaluation and Service Delivery Planning

	Responsibility For Drafting	Responsibility For Sign-Off	Oversight / Challenge / Engagement

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[1] Service Self Evaluation - is an annual process, within the Council's performance arrangements. The process enables services to formally evaluate and identify their strengths, priorities and areas for improvement which inform annual Service Delivery Plans and also the Council's Priority Plans.

Service Self Evaluations	Service Director / Heads of Service	• Chief Executive (where the service directly reports to the Chief Executive); or • Group Director	Chief Executive / Cabinet Portfolio Elected Member
Service Delivery Plans	Service Director / Heads of Service	• Chief Executive (where the service directly reports to the Chief Executive); or • Group Director	Chief Executive / Cabinet Portfolio Elected Member

5.6 The governance arrangements around the Council's Service Self Evaluation and Service Delivery Planning ensure there is appropriate review, challenge and sign-off processes in place that support the delivery of the Council's Wellbeing Objectives, service priorities and individual officer priorities. The regular monitoring arrangements also enable managers and team members 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:

<u>'Managing risks and performance through robust internal control and strong public financial management</u>

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 robust controls are in place to manage risk efficiently and effectively to deliver its services. SLT receives regular assurance from internal and external sources around the strength of its internal control environment.

7.   Risk Appetite

7.1   The Institute of Risk Management (IRM) defines risk appetite as *"the amount and type of risk that an organisation is willing to take in order to meet their strategic objectives"*. A clearly understood risk appetite statement assists with the risk awareness for the Council and supports decision making in delivering Corporate Plan priorities.

7.2   The Senior Leadership Team have collectively agreed that the Council exists in a high-risk environment and that this is likely to continue. This will mean continuing to maintain an effective understanding of acceptable risk levels (high, medium or low), depending on their impact and likelihood, so that risks are prioritised and proportionate mitigating actions put in place.

Risk Appetite Statement

7.3   The underpinning approach supporting the Council's risk appetite is that risks will be taken in a considered and controlled manner, ensuring exposure at a level deemed acceptable. Where there are opportunities for the Council to be innovative and / or work differently, the identified risks will be considered against a range of factors including the impact on service users, legal and environmental responsibilities and anticipated cost and efficiency benefits.

7.4   The Risk Appetite Statement supports elected Members and Officers in decision making by setting out where the Council will take different levels of risk, and which levels of risk are unacceptable.

7.5   The Council has used the Government Finance Function 'Risk Appetite Guidance Note' August 2021 to inform its Risk Appetite Statement through:

- The identification of a number of risk categories to support a holistic view of risks:
    o   Strategy Risk
    o   Financial Risk
    o   Service Delivery Risks
    o   Legal, Regulatory and Governance Risk
    o   Reputational Risk

- Defining risk appetite levels - at each level there is a balance between risk and reward, with 'Eager' risk appetite offering the highest risk and reward and 'averse' offering the lowest.

    o   Eager

- Eager to be innovative and to choose options offering potentially higher rewards despite greater risk.

  o Open
    - Willing to consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward and value for money and also moderate / high risk.

  o Cautious
    - Preference for safe delivery options that have a low degree of risk and may only have limited potential for reward.

  o Minimalist
    - Preference for very safe business delivery options that have a low degree of risk and only have a potential for limited reward.

  o Averse
    - Avoidance of risk and uncertainty is a key Organisational objective

7.6 The approved risk appetite levels for each risk category are set out in Table 2 below.

Table 2 – Risk Appetite Levels

Risk Category	Risk Appetite Statement
Strategy Risk	Open – The Council will strive to devise and implement ambitious strategies following engagement with stakeholders, that support service transformation and continuous improvement.
Financial risk – capital or revenue, budgetary and financial planning	Cautious - In looking after its finances the Council will plan and invest appropriately to deliver good value for money; however, in doing so, it is willing to accept, that the financial and service outcomes will not always be as originally anticipated.
Legal, Regulatory and Governance risk – failure to comply with legislation	Averse – The Council recognises the need to place high importance on compliance with legal and regulatory requirements that apply to a local authority and has an adverse appetite in respect of legal / regularity risk.
Service Delivery – failure or underperformance of the services provided by the Council	Open - The Council will strive to deliver and maintain high quality services. However, to do that, the Council is willing to accept a moderate exposure to risk in service delivery.
Reputational risk – that the public will lose confidence in the Council following adverse publicity	Cautious - It is important that the Council maintains a high reputation and, therefore, has set a cautious approach to risk in the conduct of its activities.

7.7 The Council's Risk Appetite levels will be reviewed on an on-going basis as part of consideration of this Risk Management Strategy.

8. Governance & Audit Committee

8.1 The Council's Governance and 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 Governance and Audit Committee is to provide independent assurance to the Members of Rhondda Cynon Taf County Borough Council of the adequacy of the risk management framework and the internal control environment. It provides independent review of Rhondda Cynon Taf County Borough Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

8.2 Section 'C' 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.

8.3 Management and scrutiny of the Council's strategic risks are integrated into the Council's performance reporting arrangements via its Corporate Plan priority action plans. 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.

8.4 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.

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

9. Roles and Responsibilities

9.1 To ensure the delivery of the Council's risk management arrangements, key roles and responsibilities are set out in Table 3.

Table 3 – Key roles and responsibilities

Cabinet	• To approve the Council's Risk Management Strategy (including risk appetite) and any material changes to the Strategy on an on-going basis. • To approve the Strategic Risk Register. • To monitor progress in the management of Strategic Risks. • Hold the Senior Leadership Team accountable for the effective management of risk.
Governance and Audit Committee	• To ensure the Council has effective risk management processes in place (including the review and challenge of arrangements and strategic risks). • Support and promote effective risk management.
Senior Leadership Team	• To determine the Council's Risk Management Strategy (including risk appetite) for consideration / approval by Cabinet, and to keep under on-going review. • Make arrangements to deliver the Council's Risk Management Strategy (including the identification of strategic risks, actions to manage strategic risks and monitoring / reporting arrangements). • Support and promote effective risk management.

Section 151 Officer	• Active involvement in all material business decisions to ensure short, medium and long-term implications, opportunities and risks are fully considered. • Support and promote effective risk management.
Risk Owners (Strategic and Operational Risks)	• Accountable for the management and control of all aspects of assigned risks, including determining, authorising, implementing, monitoring / updating and reporting of controls and actions to address the threats and maximise the opportunities.
Service Managers	• To support: o The Senior Leadership Team in the identification of Strategic Risks; and o Risk Owners in the management, monitoring and reporting arrangements of Strategic and Operational Risks. • Put in place effective risk management arrangements for their areas of responsibility to ensure the Council's exposure is at an acceptable level. • Promote and demonstrate the behaviours and values that support well-informed and considered risk taking, alongside clear lines of accountability.
Internal Audit	• Assess the effectiveness of the risk management strategy (and associated arrangements) and the control environment in mitigating risk. • Support and promote effective risk management.
All staff	• Support the identification of risks and contribute to their management, as appropriate.

10. Risk Management – Links to other disciplines

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

10.2 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).
- A business continuity plan is a control that can help to manage the impact of an event that may arise.

11. Partnerships

11.1 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

12. Projects

12.1 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.

12.2 Where partners and/or suppliers are involved, it is essential to have shared understanding of risks and agreed plans for managing them.

13. Risk Management - An Overview

13.1 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.

13.2 Figure 1 shows the stages involved in the Council's strategic risk management arrangements.

Figure 1 – Strategic Risk Management Arrangements