RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2016/17

COMMITTEE:	Item No. 6

AUDIT COMMITTEE

31ˢᵗ October 2016

Risk Management Overview (incorporating the Strategic Risk Register)

REPORT OF:-

GROUP DIRECTOR, CORPORATE & FRONTLINE SERVICES

Author: Marc Crumbie (Operational Audit Manager)

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1. **PURPOSE OF THE REPORT**
   This report provides Members with an overview of the Council's Risk Management arrangements.

2. **RECOMMENDATIONS**
   It is recommended that Members:

2.1 Review the Council's Risk Management arrangements and form a view on their adequacy.

3. **BACKGROUND**
3.1 The Terms of Reference for Audit Committee states:

Statement of Purpose

The purpose of the Audit Committee is to <u>monitor the adequacy of the risk management framework</u> 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.

Terms of Reference

As a key element of new arrangements for corporate governance, designed to ensure openness, integrity and accountability, the Committee will assist the Authority in discharging its responsibility for ensuring financial probity, without taking any action which might prejudice it. The Committee will [specifically in relation to risk management]:-

(D)   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.

3.2   To help discharge the Risk Management duty, information is reported to Audit Committee at specific points each year in respect of the Council's Risk Management Strategy (including a Strategic Risk Register up date), a progress up date on the delivery of recommendations made in the previous year's Annual Governance Statement and a draft Annual Governance Statement for the current year for the Committee to review, challenge and if deemed appropriate, endorse.

3.3   In addition, the above arrangements sit alongside the work undertaken by Internal Audit in delivering the approved annual Audit Plan, where any matters identified in relation to risk are presented to Audit Committee.

4.   RISK MANAGEMENT AT RHONDDA CYNON TAF – AN OVERVIEW

4.1   The aim of the Council's Risk Management Strategy is to set the overall purpose and framework for risk management within the Council. A copy of the Strategy is provided at Appendix A.

4.2   In setting the overall framework, the Strategy provides the Council's definition of risk and also identifies two specific 'thresholds' put in place to make it clear how risk management should be applied at different levels of the Council's business:

- Strategic Risks – risks the Council faces when delivering its Corporate Plan priorities, as approved by Council on 24th February 2016.

- Operational Risks – risks associated with the delivery of service objectives, as set out within Service Delivery Plans. These risks are monitored by Service Delivery Plan owners as part of the operational management of services.

   Strategic Risks

4.3   The Council's strategic risks are set out in a Strategic Risk Register and as stated above, this document is focussed on risks that could compromise the delivery of Corporate Plan priorities. The work being undertaken by services to mitigate such risks materialising are captured on an on-going basis and progress up dates are included as part of the Council's quarterly performance reporting arrangements. A copy of the latest Strategic Risk Register is included at Appendix B.

4.4   Members will note that there are currently 14 strategic risks associated with the Council's Corporate Plan priorities.

4.5   Members will also note that the attached Strategic Risk Register formed part of the Council's Quarter 1 Performance Report presented to Cabinet on 22nd September 2016 and reported to the Finance and Performance Scrutiny Committee on 17th October 2016.

Risk Management Toolkit

4.6   To support Council services in the development of risk management arrangements, a toolkit has been produced and is attached at Appendix C for Members' information.

5.   SUMMARY

5.1   The 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. The Risk Management Toolkit is a more detailed document designed to help and support officers at all levels across the Council to undertake these processes in a consistent manner.

5.2   Understanding the risks the Council faces and managing them appropriately aids effective decision-making and will positively contribute to the achievement of Corporate Plan Priorities and Service Delivery Plan objectives.

5.3   It is the responsibility of Audit Committee to review and scrutinise the risk management arrangements in place across the Council and form a view of their adequacy.

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LOCAL GOVERNMENT ACT, 1972

as amended by

THE ACCESS TO INFORMATION ACT, 1985

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

LIST OF BACKGROUND PAPERS

AUDIT COMMITTEE

31st October 2016

Report of the Group Director, Corporate & Frontline Services
Author: Marc Crumbie (Operational Audit Manager).

Item   **File Ref:**

7.   Risk Management Overview Incorporating the   IA / MC
      Strategic Risk Register

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RHONDDA CYNON TAF COUNTY

BOROUGH COUNCIL

Risk Management Strategy

March 2014

RISK MANAGEMENT STRATEGY

CONTENTS

RISK MANAGEMENT STRATEGY

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 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 aids 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 for risk is '*something happening that, should it occur, would impact on the Council's ability to successfully achieve its improvement priorities'.*

4. The Performance Management Framework and Risk Management

4.1 The Council's performance management framework (incorporating strategic risk management) aligns the outcomes contained in the Single Integrated Plan for the County Borough with the Council's Improvement Priorities.

4.2 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 County Borough as set out in the Single Integrated Plan.

4.3 The supporting 'internal' processes that the Council has in relation to delivering its improvement priorities are encompassed within strategic and operational business planning processes.

4.4 The Council's approved business plan arrangements require each service area to set clear priorities. These arrangements also require service areas to identify the risks it faces when delivering its priorities. The links to performance management at this stage are clear: to achieve a set of priorities, services must demonstrate that they are managing associated risks.

4.5 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.

5. Internal Control and Risk Management

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

5.2 The links between internal control and risk management are identified within the Accounts and Audit (Wales) Regulations 2005 (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.'*

- '*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.'

5.3 The Council's Corporate Management Team (CMT) has ultimate responsibility for the system of internal control. In discharging its responsibility, CMT has a suite of Policies and Procedures aimed at ensuring robust controls are in place to manage risk and efficiently and effectively deliver services. CMT receives regular assurance from internal and external sources around the strength of its internal control environment.

6.   Regulatory Requirements

6.1 In addition to the Accounts and Audit (Wales) Regulations 2005 (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 3.5:

'Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

- *Members making decisions need the support of appropriate systems, to help to ensure that decisions are implemented and that resources are used legally and efficiently.*

- *Risk management is important to the successful delivery of public services. An effective risk management system identifies and assesses risks, decides on appropriate responses and then provides assurance that the chosen responses are effective.*

- *Ensuring that an effective risk management system is in place.*

The local code should reflect the requirement for local authorities to:

- *Ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their jobs.'*

7.   Governance

7.1 The effectiveness of the risk management process and any changes are reported annually and contained within the Council's Annual Governance Statement, as required by the Accounts and Audit (Wales) Regulations 2005 (regulation 4).

7.2 Management and scrutiny of the Council's strategic risks are integrated into the Council's performance reporting arrangements via its improvement 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.

7.3 The Council's strategic risks are brought together into a Strategic Risk Register that is owned and monitored by the Council's Corporate Management Team. The Strategic Risk Register is also reported to the Council's Audit Committee in support of its Terms of Reference:

'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.'

7.4 Operational risks are monitored and managed separately as part of the Council's business 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).
- 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 the Council's policy development and 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. The assessment of risks within partnerships are inward and outward looking.

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 determines the activities required to minimise or eliminate them.

10.2 Where partners and/or suppliers are involved, it is essential to have 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 for this Strategy.

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

RISK MANAGEMENT STRATEGY

Figure 1 – Strategic Risk Management Arrangements
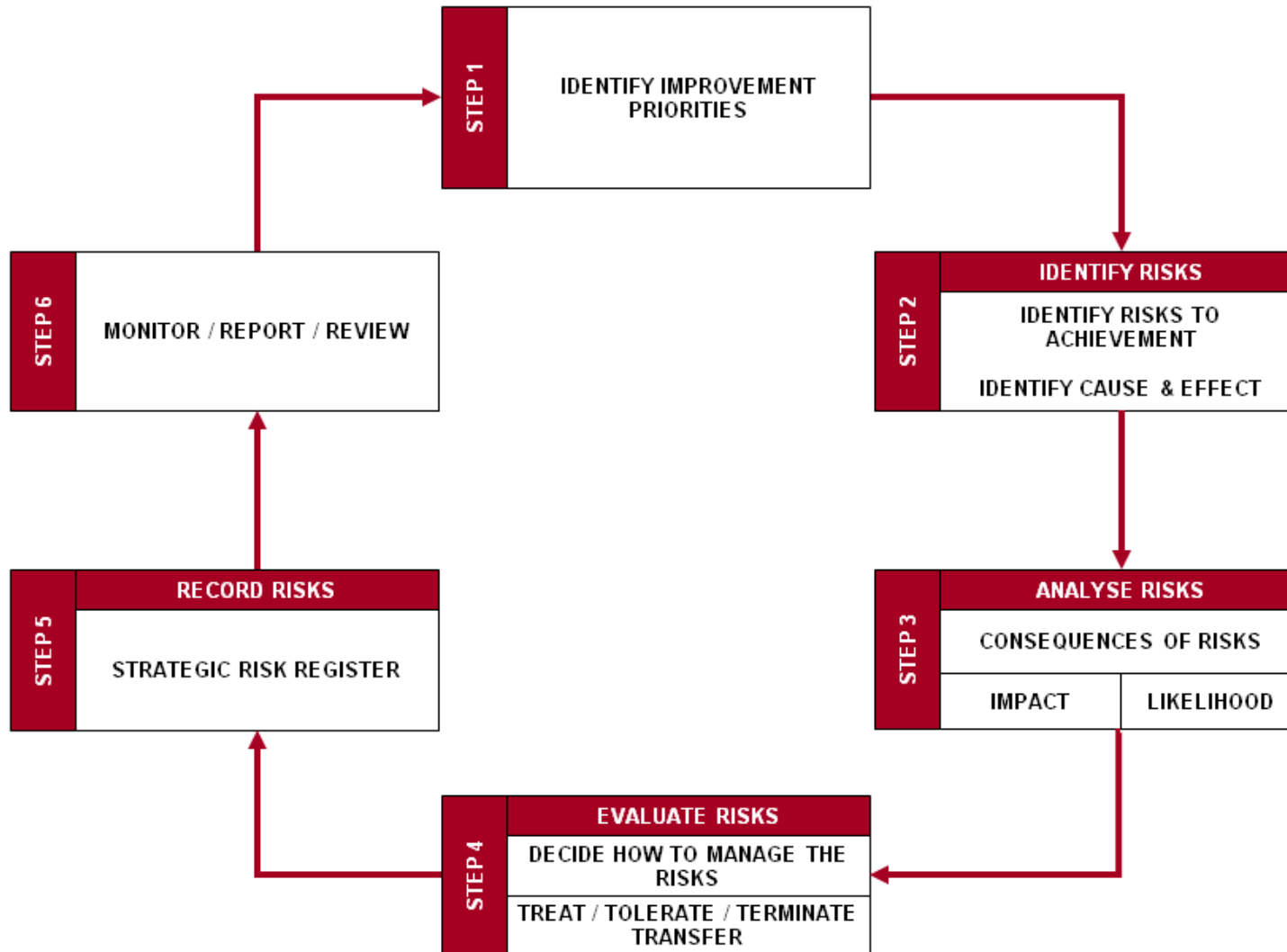
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STRONG HERITAGE | STRONG FUTURE
RHONDDA CYNON TAF
TREFTADAETH GADARN | DYFODOL SICR

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

Strategic Risk Register

1.   Introduction

1.1   This Strategic risk register sets out the key risks to Rhondda Cynon Taf County Borough Council in achieving its priorities.

1.2   The risks are categorised in terms of their likelihood and impact.

1.3   The aim is to manage each risk so as to reduce the likelihood and/or the impact, by putting measures in place to support delivery of the Council's priorities.

1.4   In addition to the strategic risks set out in this register, there are operational risks. As the Council's risk management strategy indicates, these operational risks are monitored and managed as part of the Council's annual business and service planning arrangements.

1.5   All risks across the Council are subject to a periodic review to ensure that changing circumstances do not alter the risk rating.

1.6   Risks change over time – new ones emerge or existing risks become more or less significant as a result of external or internal factors. This Strategic Risk Register is a living document; it is reviewed regularly, monitored and updated.

SRR REF	COUNCIL PRIORITY	RESPONSIBLE OFFICER	RISK DESCRIPTION	Original Risk Rating			Current Risk Rating		
				I	L	RATING	I	L	RATING
1	Living within our means – where services are delivered efficiently to achieve value for money for the taxpayer	Chris Lee	If the financial settlements from the Welsh Government continue to mean significant reductions in funding year on year then the rate at which the Council will need to implement changes to bridge the budget gap over the medium term will need to be accelerated.	5	4	20	5	4	20

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL'S STRATEGIC RISK REGISTER

QUARTERLY UPDATE (INCORPORATING ACTIONS TAKEN TO MANAGE)

The accounts for 2015/16 were completed and signed off (subject to Audit) during the first quarter. They evidence the stable financial position of the Council currently and the robustness of the Financial Management arrangements in place.

Uncertainty over future funding levels remains a key risk and indications are that austerity will continue into the medium term, hence no adjustment to the risk scores are recommended at this stage

				Original Risk Rating			Current Risk Rating		
				RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL'S STRATEGIC RISK REGISTER					
SRR REF	**COUNCIL PRIORITY**	**RESPONSIBLE OFFICER**	**RISK DESCRIPTION**	**I**	**L**	**RATING**	**I**	**L**	**RATING**
2	**PEOPLE** - Promoting independence and positive lives for everyone <u>Priority 2</u> - Redesigned local services - integrated and efficient	Ann Batley	If the key service modernisation priorities for Children's Services (CiN, CPR & LAC) are not managed effectively then the ability of the Council to effectively support vulnerable children and families and meet the requirements of the Social Services & Wellbeing (Wales) Act may be compromised.	5	3	15	5	3	15

QUARTERLY UPDATE (INCORPORATING ACTIONS TAKEN TO MANAGE)

This will be the first year of the changes made and the priority for Children's Services is to ensure that the remodelling and introduction to the SS@WB Act are effective and that there is evidence that the changes have produced the improvements required.

It is acknowledged that the number of Children Looked After (CLA) still remains high and the targeted reduction set has not been achieved. However the priority is still to continue to focus on reducing CLA with the CLA Action Plan being revised and updated to ensure progress to date is maintained and to enable the consideration and implementation of new strategic initiatives.

Based on the current performance there continues to be a strategic risk with no amendment to the risk rating at this stage.

				Original Risk Rating			Current Risk Rating		
SRR REF	COUNCIL PRIORITY	RESPONSIBLE OFFICER	RISK DESCRIPTION	I	L	RATING	I	L	RATING
3	**PEOPLE** - Promoting independence and positive lives for everyone <u>Priority 1</u> - Health & Social Care Services will be personalised and integrated, with more people supported to live longer in their own homes	Neil Elliott	The changing demographics and potential increase in demand to social services may impact on the ability of the Council to safeguard its vulnerable adults and keep citizens independent for longer. If we do not modernise services (working with partners including Health and Third Sector) in line with the SS@WB Act this may result in inappropriate care and support and increased costs of providing services.	5	3	15	5	3	15

QUARTERLY UPDATE (INCORPORATING ACTIONS TAKEN TO MANAGE)

Performance against agreed service targets and priorities identified by the service has generally been good in Qtr 1. We are supporting more people to live longer in their own homes with less people admitted to residential care than planned. We continue to ensure that people regain and retain their independence through targeted periods of re-ablement, which results in them not needing a longer term package of care and support. Additional resources have been identified to develop an integrated assessment and early response service in partnership with Health, which will improve patient flow and discharge leading to improved outcomes for individuals. Good progress has been made implementing the new Social Services and Wellbeing Act and, in particular, new information, assistance and advice services are being rolled out to ensure that people can get access to the right help at the right time to meet their individual situation. Work has also commenced on a review of the adult social care service model and structures and good progress is being made on the development of a regional learning disability commissioning strategy and day services and accommodation strategies, including extra care.

Whilst good progress is being made this remains a medium term change and improvement priority and therefore no change to the current risk rating is suggested.

				Original Risk Rating			Current Risk Rating		
SRR REF	**COUNCIL PRIORITY**	**RESPONSIBLE OFFICER**	**RISK DESCRIPTION**	**I**	**L**	**RATING**	**I**	**L**	**RATING**
4	**ECONOMY** - Building a strong economy <u>Priority 2</u> - Rhondda Cynon Taf's schools will be amongst the best in the country, and with all children achieving the best they can	Chris Bradshaw	If projects are not delivered on time and/or budget then this could impede the delivery and intended (positive) impact of the 21st Century Schools Programme within the Council.	5	3	15	5	3	15

QUARTERLY UPDATE (INCORPORATING ACTIONS TAKEN TO MANAGE)

Good progress has been maintained with the 21C programme with Tonyrefail Redevelopment, Treorchy Redevelopment, Porth Redevelopment and Tonypandy Redevelopment all receiving planning permission in accordance with the programme dates. All projects proceeded to tender action and are on progress to be returned in QTR 2. Risk scores have been reviewed and due to the need to receive competitive tenders prior to awarding contracts, it is felt appropriate to leave the risk scores as the last QTR.

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL'S STRATEGIC RISK REGISTER									
SRR REF	COUNCIL PRIORITY	RESPONSIBLE OFFICER	RISK DESCRIPTION	Original Risk Rating			Current Risk Rating		
				I	L	RATING	I	L	RATING
5	**ECONOMY** - Building a strong economy <u>Priority 3</u> - There will be a broad offer of skills and employment programmes for all ages	Neil Elliott & Paul Mee	If the Council does not enable individuals and communities to become more resilient and self sustaining we will not manage the impacts of the Welfare Reform changes on its citizens there may be an unforeseen (and significant) increase in demand for support.	5	3	15	5	3	15
QUARTERLY UPDATE (INCORPORATING ACTIONS TAKEN TO MANAGE)									
The agreed changes to the Communities First programme have been implemented during quarter 1 and the new approach is now operational. This includes an improved focus on targeting hard to reach individuals. In addition, the Communities for Work employment programme has been successfully implemented alongside Communities First during this quarter. This will provide adult and youth mentor support into employment. It is too early to evaluate the outcomes from these recent measures; therefore no change to the risk rating at present.									

				Original Risk Rating			Current Risk Rating		
SRR REF	**COUNCIL PRIORITY**	**RESPONSIBLE OFFICER**	**RISK DESCRIPTION**	I	L	RATING	I	L	RATING
6	<u>Living within our means</u> – where services are delivered efficiently to achieve value for money for the taxpayer	Chris Lee	If the Council does not manage its information assets in accordance with requirements set down within legislation then it may be faced with financial penalties and possible sanctions that hinder service delivery.	4	3	12	4	3	12

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL'S STRATEGIC RISK REGISTER

QUARTERLY UPDATE (INCORPORATING ACTIONS TAKEN TO MANAGE)

Work is progressing well on the PSN accreditation requirements prior to review during Q2 by the Cabinet Office. Wider Information Management work is also taking place including the designation of the Group Director Corporate & Frontline Services as the Council's SIRO and the re-establishment of the Information Management Executive Group.

No change to risk scores at this stage.

				Original Risk Rating			Current Risk Rating		
RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL'S STRATEGIC RISK REGISTER									
SRR REF	**COUNCIL PRIORITY**	**RESPONSIBLE OFFICER**	**RISK DESCRIPTION**	**I**	**L**	**RATING**	**I**	**L**	**RATING**
7	**PLACE** - Creating neighbourhoods where people are proud to live and work Priority 4 - Rhondda Cynon Taf's local environment will be clean and attractive, with well-maintained roads and pavements, flowing traffic, increased recycling and less waste sent to landfill	Nigel Wheeler	If the specific root causes of areas where recycling is known to be low are not identified and addressed then the amount sent to landfill will not necessarily reduce resulting in financial penalties from the Welsh Government.	4	3	12	4	2	8

QUARTERLY UPDATE (INCORPORATING ACTIONS TAKEN TO MANAGE)

We have continued to work in the same way as the previous year:
- Awareness Team continued to target recycling participation.
- A marketing campaign targeting food and dry recycling has been developed. To be delivered in Qtr 2.
- Our residual waste contract with Viridor has commenced during the quarter, and is progressing well.
- Our food waste contract with Biogen is progressing well.
- The figures in Qtr 1 for our two new Community Recycling Centres are increasing in line with existing centres.
- We continue to monitor the roll out of the 'Too Many Black Bags' scheme.

SRR REF	COUNCIL PRIORITY	RESPONSIBLE OFFICER	RISK DESCRIPTION	Original Risk Rating			Current Risk Rating		
				I	L	RATING	I	L	RATING
10	**PEOPLE** - Promoting independence and positive lives for everyone Priority 2 - Redesigned local services - integrated and efficient	Paul Mee	If appropriate housing stock is not available then the ability to house citizens who are either homeless and/or are vulnerable to homelessness may be compromised.	4	3	12	4	3	12

QUARTERLY UPDATE (INCORPORATING ACTIONS TAKEN TO MANAGE)

We anticipate 200 affordable home completions this year and those properties will be available for use by the common housing register. In addition, we continue to work with the private rented sector to improve property condition and quality of management that will provide more suitable units of accommodation for us to discharge our homeless duty. An emerging pressure, due to welfare reform, is housing provision for under 35s. This year we are seeking innovative proposals from housing providers to start the process of satisfying that need, invitations for proposals are due at the end of Q3 and we will be selecting and supporting the successful provider during Q4 to work up the scheme for delivery in 2017/18.

No change to the risk rating at this stage.

				Original Risk Rating			Current Risk Rating		
SRR REF	COUNCIL PRIORITY	RESPONSIBLE OFFICER	RISK DESCRIPTION	I	L	RATING	I	L	RATING
11	ECONOMY - Building a strong economy Priority 1 - Residents will see a responsible approach to regeneration, with new homes being built and job opportunities created Priority 3 - There will be a broad offer of skills and employment programmes for all ages	Jane Cook	If externally funded projects are not planned, procured and managed effectively by the Council and its Partners, then delivery could be severely compromised and the benefits lost.	4	3	12	4	3	12

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL'S STRATEGIC RISK REGISTER

QUARTERLY UPDATE (INCORPORATING ACTIONS TAKEN TO MANAGE)

As projects are initiated and developed to implementation the External Funding Oversight Group (EFOG) continues to review, with updates on project compliance and closure activity. The group is considering the potential implications of the EU Referendum; however there is still considerable uncertainty at this stage.

No change to the risk rating at this stage.

				Original Risk Rating			Current Risk Rating		
SRR REF	COUNCIL PRIORITY	RESPONSIBLE OFFICER	RISK DESCRIPTION	I	L	RATING	I	L	RATING
13	**PEOPLE** - Promoting independence and positive lives for everyone <u>Priority 2</u> - Redesigned local services - integrated and efficient	Paul Mee	If there are reductions in grant funding used to deliver anti-poverty programmes then the continued delivery of projects could be compromised.	5	2	10	5	2	10

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL'S STRATEGIC RISK REGISTER

QUARTERLY UPDATE (INCORPORATING ACTIONS TAKEN TO MANAGE)

The reconfiguration of the Communities First Programme has been completed in the first quarter and an induction into the new programme was held with staff in May 2016. A set of clear performance measures have been put in place for all aspects of the programme to ensure consistency and alignment with the local authority's Tackling Poverty Single Outcomes Framework. During quarter 1 a transitional approach from the old to the new programme has been implemented.

Work is progressing with the creation of the Communities & Prosperity Service, bringing together the commissioning arrangements for Communities First, Families First, Flying Start and Substance Misuse. This will enable a strategic approach to commission across these programmes, reducing duplication and improving coordination. Future funding allocations from Welsh Government remain uncertain.

No change to risk rating

				Original Risk Rating			Current Risk Rating		
SRR REF	**COUNCIL PRIORITY**	**RESPONSIBLE OFFICER**	**RISK DESCRIPTION**	**I**	**L**	**RATING**	**I**	**L**	**RATING**
RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL'S STRATEGIC RISK REGISTER									
14	**ECONOMY** - Building a strong economy <u>Priority 2</u> - Rhondda Cynon Taf's schools will be amongst the best in the country, and with all children achieving the best they can	Chris Bradshaw	With the greater delegation of school budgets and the expectation from Councils and Welsh Government for school improvement to be led and driven by schools working together, it is essential that all school Headteachers and governing bodies commit to work in partnership with various groups of schools in the best interests of improving the educational outcomes and wellbeing of all pupils, not just in the best interests of their school and their pupils.	4	2	8	4	2	8

QUARTERLY UPDATE (INCORPORATING ACTIONS TAKEN TO MANAGE)

The model of school to school working continues in earnest with the majority of schools engaged in School Improvement Groups, Pathfinder Groups and specialist training provided by the school training hubs. This is the second full year of the model and the practice of school to school support is becoming the norm. The teacher assessments and GSCE results in the summer will provide further evidence as to whether the model is delivering the improvement we require in educational standards across all our schools.

The risk scores do not merit revision at this stage.

				Original Risk Rating			Current Risk Rating		
				RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL'S STRATEGIC RISK REGISTER					
SRR REF	**COUNCIL PRIORITY**	**RESPONSIBLE OFFICER**	**RISK DESCRIPTION**	**I**	**L**	**RATING**	**I**	**L**	**RATING**
15	**PLACE** - Creating neighbourhoods where people are proud to live and work <u>Priority 4</u> - Rhondda Cynon Taf's local environment will be clean and attractive, with well-maintained roads and pavements, flowing traffic, increased recycling and less waste sent to landfill	Nigel Wheeler	In light of the current budget reductions across the public sector, capital and revenue funding required for the Council's Highways infrastructure may reduce which could impair the Council's ability to maintain and improve the existing infrastructure.	4	2	8	4	2	8

QUARTERLY UPDATE (INCORPORATING ACTIONS TAKEN TO MANAGE)

The need for continual investment in highways maintenance remains to ensure that the Council retains its ability to maintain and improve its principal asset.

Whilst recent significant investment in this area has allowed enhanced levels of highway and bridge maintenance, historical underinvestment in the highways infrastructure has resulted in us inheriting a number of significant problems, particularly with regard to bridges and retaining walls on our strategic network. A report on these issues will be provided for Cabinet in October 2016.

The 2016/17 Capital Programme is well underway with major bridge schemes at Fiddler's Elbow, Aberaman and Cwmaman ongoing, together with a major carriageway resurfacing scheme at Rhigos Mountain (A4061). Carriageway and footway renewal works (formulated from the aforementioned list of potential schemes) are also well advance right across RCT.

As stated in the Q4 Update, the Highways Improvement Scheme Project Board continues to meet on a monthly basis. This ensures rigorous monitoring of capital projects and schemes, and ensures management guidance for the forward planning of future projects.

In addition to the capital programme, the Council has a revenue budget which is used for minor works (such as minor repairs and maintenance). This budget and the resources are used to undertake works identified as requiring action by Highways Inspectors and where issues are reported via the Council's customer care work stream.

The risk scores do not merit amendment at this stage.

				Original Risk Rating			Current Risk Rating		
SRR REF	COUNCIL PRIORITY	RESPONSIBLE OFFICER	RISK DESCRIPTION	I	L	RATING	I	L	RATING
16	**PLACE** - Creating neighbourhoods where people are proud to live and work <u>Priority 3</u> - More involved and resilient communities	Chris Lee Giovanni Isingrini Neil Elliott Ann Batley	If the Third Sector are not able to deliver on their agreed role and responsibility in leading the development of effective early intervention and prevention services within resilient communities, then the ability of the Council to deliver the modernisation of services in line with the SS&WB Act may be compromised.	4	3	12	4	3	12

QUARTERLY UPDATE (INCORPORATING ACTIONS TAKEN TO MANAGE)

We are continuing to work with the 3rd Sector and are engaging with local communities to build community resilience. This is a long term aim and will be an ongoing priority for the Council which will support the Social Services and Well Being and Future Generations requirements. No change to the current risk scored is suggested.

				Original Risk Rating			Current Risk Rating		
RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL'S STRATEGIC RISK REGISTER									
SRR REF	**COUNCIL PRIORITY**	**RESPONSIBLE OFFICER**	**RISK DESCRIPTION**	**I**	**L**	**RATING**	**I**	**L**	**RATING**
17	**ECONOMY** - Building a strong economy Priority 1 - Residents will see a responsible approach to regeneration, with new homes being built and job opportunities created	Jane Cook	If the private sector does not engage with the Council in delivering ambitious projects and programmes, then the ability of the Council to effectively deliver regeneration may be compromised.	4	3	12	4	3	12
QUARTERLY UPDATE (INCORPORATING ACTIONS TAKEN TO MANAGE)									
Engagement with the private sector has remained positive during this quarter. No change to the risk scores at this stage.									

RHONDDA CYNON TAF COUNTY

BOROUGH COUNCIL

Risk Management – A Toolkit

CONTENTS

1. Introduction

1.1   The diverse range of activities undertaken by the Council involves making decisions and taking risks. We cannot always decide upon the activities with which we are involved. In the private sector, high impact/high likelihood risks can be avoided by opting out of that part of the business. However in public service the option to completely eliminate risk may not exist due to statutory responsibilities. Risk management therefore plays an important role in helping to manage risks and opportunities in a practical and cost effective manner.

1.2   Whilst the over management of risks is not advocated, certain activities will require a managed and structured approach. This toolkit is designed to help in this process and describes a simple methodology to maximise the opportunity to achieve expected results – by managing risks. This toolkit is an integral part of service business planning.

1.3   The toolkit should be used as a supplementary guide to support and where appropriate reinforce risk management arrangements already in place within Council services.

Risk Management Process – A One Page Summary

Risk Management - is about getting the right balance between innovation and change on the one hand, and the avoidance of shocks and crises on the other

Stage 1 - Identify your risks	Stage 2 - Evaluate your risks	Stage 3 - Treat your risks	Stage 4 - Monitor & Review
• Identify priorities / outcomes **Risk:** What could occur that would prevent the priority / outcome being met • In full • On time • Within budget Think about: IF……THEN Event → Consequence → Impact And then: Threats & Opportunities When: • Setting strategic aims • Setting business objectives • Early/key stages of project planning • Partnership arrangements • Service improvement plans Categories can help: • Strategic/Operational • Internal/External	Combination of the likelihood and impact Impact x Likelihood 	Concentrate on Top Risks first : • Can we reduce the likelihood? • Can we reduce the • impact? • Can we change the consequences? Consider the options to deal with the risk : • Treat • Terminate • Tolerate • Transfer Devise Contingencies - i.e. • Strengthen internal controls • Develop service continuity planning • Engage external contractors • Review insurance arrangements	Risk Registers: • Confirm the risk owner. • Report progress to senior management. • Review and monitor risks regularly along with associated progress. • Establish any emerging/new risks.

2. What is risk?

2.1 Wherever there is a decision or action to be taken, there lies a risk potential.

2.2 There are many definitions for 'risk' of which the following is a simple example:

'Risk is the chance of something happening that will have an impact on objectives.'

2.3 Risk is therefore something that may arise which may stop you achieving something you want to do. It's not always a bad thing and there is no activity without risk.
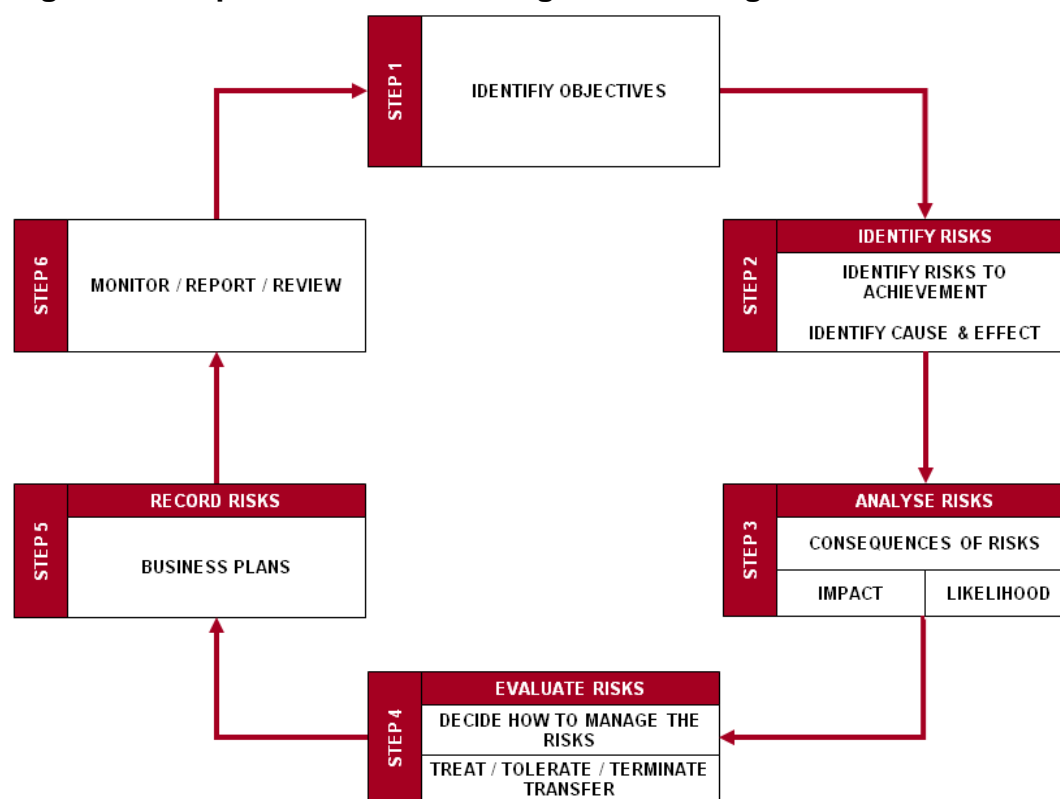
3. What is risk management?

3.1 Put simply, risk management is the ongoing process of identifying threats and the implementation of measures aimed at reducing the likelihood of those threats occurring and minimising the damage (impact) if they do. Equally, risk management can also help identify opportunities aimed at increasing the prospects of success.

3.2 The benefits of a robust management process will help to manage risks so that:

- Risk owners and key stakeholders are identified at an early stage.
- There is an increased focus on what needs to be done/not done to meet objectives.
- Better use of resources.
- Better management of change programmes.
- Scrutiny committees are provided with a fuller picture of factors influencing performance.
- Innovation is supported.
- Results are achieved first time of trying.
- Competitiveness is improved.
- Improved quality of service delivery.
- Enhanced ability to justify actions taken.
- Protection of reputation.

3.3 Figures 1a and 1b show the six stages to the risk management process.

Figure 1a – Strategic Risk Management Arrangements
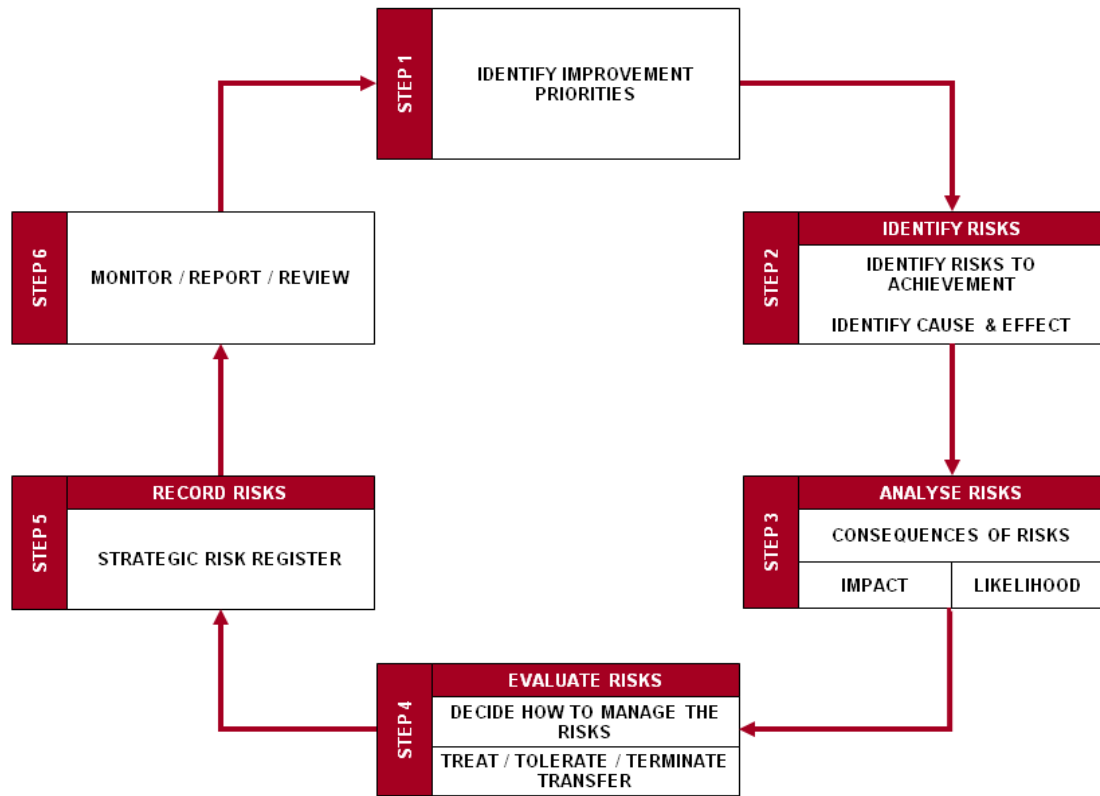
Figure 1b – Operational Risk Management Arrangements

STEP 1 IDENTIFIY OBJECTIVES

STEP 2 IDENTIFY RISKS — IDENTIFY RISKS TO ACHIEVEMENT — IDENTIFY CAUSE & EFFECT

STEP 3 ANALYSE RISKS — CONSEQUENCES OF RISKS — IMPACT | LIKELIHOOD

STEP 4 EVALUATE RISKS — DECIDE HOW TO MANAGE THE RISKS — TREAT / TOLERATE / TERMINATE TRANSFER

STEP 5 RECORD RISKS — BUSINESS PLANS

STEP 6 MONITOR / REPORT / REVIEW

4. Risk identification

4.1 You should first set out the objectives of the activity to be examined. It may help to have key documents available such as the business plan, or a project brief / project plan.

4.2 When wording risks, the Council suggests using the "If and Then" statement. The "If" being the risk and the "then" being the impact if it's not dealt with. It is important to ensure that when a risk has been identified, the risk description is clear and precise. The associated causes and effects are those areas where management action could take place aimed at managing the risk.

Here is an example:

'If the Council does not meet Welsh Government targets to achieve diversions from landfill then the Council will be subject to financial penalties.'

4.3 In order to manage risk it is necessary to know what risks exist or might occur. Risks can be broken down into two categories – strategic and operational. It is important to distinguish between strategic and operational risks to ensure that they are managed and reported upon at the appropriate level within the Council.

4.4 Strategic risks are those arising from major events which could impact across the whole of the Council e.g. major overspend or serious damage to the reputation of the Council. External factors are especially important when considering risks at the strategic level. Their origins can be classified as being:

- Political
- Economic
- Social
- Technological
- Environmental
- Legislative
- Competitive
- Customer/stakeholders
- Reputational
- Partnerships

4.5 Operational risks are those arising from the day-to-day management of activities within service areas and are less likely to impact upon other services or the Council as a whole.

4.6 To help facilitate the process of risk identification Figure 2 has been developed. This is not an exhaustive list, it is designed to trigger thoughts and focus discussion in the correct direction.

4.7 As you proceed through this process you will start to build up a list of risks.

4.8 You should consider impacts on your objectives from:

- External factors
- Internal factors (SWOT)

Figure 2 – Sources of Strategic & Operational Risks

SOURCES OF STRATEGIC RISKS		
Category	**Description**	**Indicative guidelines (given as examples)**
Political	Those associated with a failure to deliver either local or central government policy.	• Wrong political priorities • Not meeting government agenda • Too slow or failure to modernise • Decision based on incorrect information • Unfulfilled promises to electorate • Community planning oversight / errors
Economic	Those affecting the ability of the Council to meet its financial commitments. These include internal budgetary pressures, the failure to purchase adequate insurance or the consequences of proposed investment decisions.	• General/regional economic problems • Missed business and service opportunities • Failure of major projects • Failure to prioritise, allocate appropriate budgets and monitor • Inadequate control over expenditure or income • Inadequate insurance cover
Social	Those relating to the effects of changes in demographic, residential or socio-economic trends on the Council's ability to deliver its objectives.	• Failing to meet the needs of disadvantaged communities • Failures in partnership working • Problems in delivering life-long learning • Impact of demographic change • Crime and disorder
Technological	Those associated with the capacity of the Council to deal with the pace / scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures on the Council's ability to deliver its objectives.	• Breach of confidentiality • Failure in communications • Insufficient disaster recovery for key data/systems • Failure of technology related project • Breach of security of networks and data • Failure to comply with IT Security Policy
Legislative	Those associated with current or potential changes in national or European law.	• Inadequate response to new legislation (including failure to consult) • Not meeting statutory duties/deadlines • Failure to implement legislative change • Misinterpretation of legislation • Exposure to liability claims e.g. motor accidents, wrongful advice • Breach of confidentiality / Data Protection Act

Environmental	Those relating to environmental consequences of progressing the Council's corporate objectives (e.g. in terms of energy, efficiency, pollution, recycling, etc).	• Impact on sustainability initiatives • Impact of planning & transportation policies • Noise, contamination and pollution • Crime & Disorder Act implications • Inefficient use of energy and water • Incorrect storage/disposal of waste
Competitive	Those affecting the competitiveness of the service (in terms of cost of quality) and / or its ability to deliver best value.	• Take over of services by government • Failure of bids for government funds • Failure to show value for money • Accusations of anti-competitive practices
Customer /Citizen	Those associated with the failure to meet the current and changing needs and expectations of customer and citizens.	• Lack of appropriate consultation • Bad public and media relations
Reputation	Those relating to public confidence.	• Adverse media attention • Policies misunderstood or misinterpreted • Negative implications identified by other which have not been previously considered • Failure to keep partners on side • Breach of confidentiality • Lack of business continuity plan • Failure to maintain and upkeep land and property
Partnership	Those associated with working in partnership with another organisation.	• Non compliance with procurement policies & financial regulations • Poor selection of partner • Poor contract specification, deficiencies • Failure of partner to deliver • Inadequate contract terms & conditions • Bad management of partnership working • Lack of contingency planning in the event of partnerships dissolving.

SOURCES OF OPERATIONAL RISKS		
Category	**Description**	**Indicative guidelines (given as examples)**
Professional	Associated with the particular nature of each profession.	• Inefficient/ineffective management processes • Lack of business continuity plan • Inability to implement change • Non achievement of Best Value • Lack of control over changes to service provision • Bad management of partnership working • Inadequate consultation with service users • Failure to manage and retain service contracts • Failure to communicate effectively with employees • Poor management of externally funded projects
Financial	Associated with financial planning and control and the adequacy of insurance arrangements.	• Failure of major projects • Failure to prioritise, allocate appropriate budgets and monitor • Ineffective/inefficient processing of documents • Missed opportunities for income/grants • Inadequate control over expenditure • Inadequate insurance cover • Inadequate control over income
Legal	Related to possible breaches of legislation	• Not meeting statutory duties/deadlines • Failure to implement legislative change • Failure to comply with European directives on procurement of works, supplies and services • Misinterpretation of legislation • Breach of confidentiality/Data Protection Act • Exposure to liability claims e.g. motor accidents, wrongful advice
Physical	Related to fire, security, accident prevention and health and safety.	• Violence or aggression • Loss of physical assets • Non compliance with Health & Safety legislation • Injury at work • Loss of intangible assets • Criminal damage to assets e.g. vandalism • Failure to maintain and upkeep land and property

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Contractual	Associated with the failure of contractors to deliver services of products to the agreed cost and specification.	• Non compliance with procurement policies • Over reliance on key contractors/suppliers • Failure of outsourced provider to deliver • Failure to monitor contractor performance • Poor selection of contractor • Poor contract specification, deficiencies • Inadequate contract terms & conditions • Quality issues
Technological	Relating to reliance on operational equipment (e.g. IT systems or equipment) or machinery.	• Failure of big technology related project • Crash of IT systems affecting service delivery • Lack of disaster recovery plans • Breach of security of networks and data • Failure to comply with IT Security Policy • Bad management of intranet / website
Environmental	Relating to pollution, noise or energy efficiency of ongoing service operation.	• Crime & Disorder Act implications • Incorrect storage/disposal of waste • Noise, contamination and pollution • Inefficient use energy and water • Damage caused by trees, tree roots etc
Human Resources	Associated with staffing issues (e.g. recruitment / retention, sickness management, change management, stress related risk analysis).	• Capacity issues • Over reliance on key officers • Failure to recruit/retain qualified staff • Lack of employee motivation/efficiency • Failure to comply with employment law • Poor recruitment /selection processes • Lack of training • Lack of succession planning

5.   Risk Analysis & Evaluation

5.1   Having compiled a list it is then necessary to assess which of the risks identified are going to pose the greatest threat (or opportunity) and this is done by looking at both impact (what harm might result from the risk) and likelihood (chance of the risk occurring).

5.2   In assessing risks you are simply identifying and prioritising them so that you know which need earlier attention.

5.3   The matrix in Figure 3 together with Figures 4 & 5 should be used to allocate a 'risk score' which could range from 1 to 25.

Figure 3 - Risk Ranking Methodology

Figure 4 - Likelihood Assessment Matrix:

Factor	Score	Indicators
Almost certain	5	99% likely to happen or has happened on a regular basis over the last 12 months.
Very likely	4	75% likely to happen or has happened at least once or twice in the last 12 months.
Likely	3	50% likely to happen or has happened once or twice in the last 24 months.
Unlikely	2	20% likely to happen or has happened once or twice in the last 5 years.
Highly unlikely	1	5% likely to happen or hasn't happened within the last 5 years.

Figure 5 - Impact Assessment Matrix

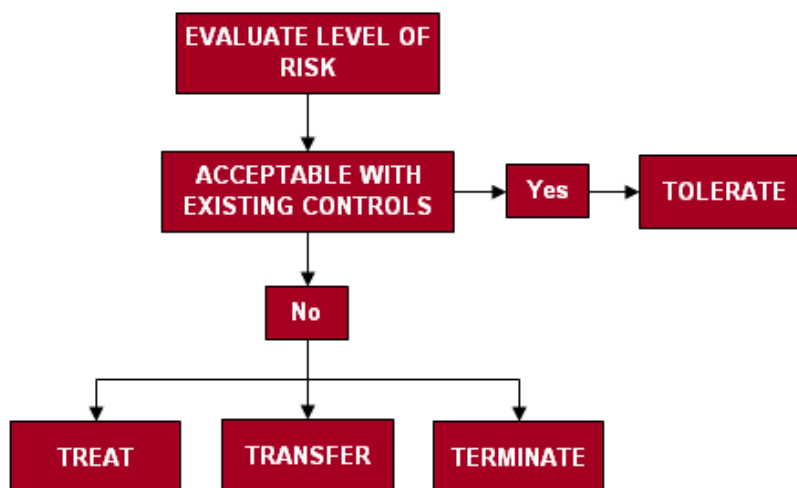| Risk	Score	Effect on Service	Reputation	Financial & Resources	Compliance with law / contracts	People	Effect on project objectives
Major	**5**	• Complete breakdown in service delivery with severe, prolonged impact on customer service affecting the whole organisation. • Failure of a strategic partnership.	• A vote of no confidence in one service area. • Substantial adverse national media criticism/coverage leading to Officer(s) &/or Elected Member(s) forced to resign and/or Audit Commission enquiry.	• A substantial failure in accountability or integrity. • A large financial loss over 50% of budget or greater than £5m. • Total loss of a critical building.	• Litigation leading to sizeable increase in responsibilities. • Breakdown in relationship with regulator affecting funding. • Multiple civil uninsured or criminal actions with payments / fines above £150k.	• Death of several people.	• Complete failure of a project.
High	**4**	• Intervention in a key service. • Disruption to service delivery for one of more service area for 3 – 5 days. • Failure of an operational partnership.	• Criticism of a key process. • Large scandal. • High level of complaints at the corporate level across several service areas • National adverse publicity / bad press.	• Sizeable financial loss up to 50% of budget or between £2-5m. • Extensive damage to a critical building or considerable damage to several properties from one source.	• Multiple uninsured civil litigation or criminal actions with payments / fines of £50k - £150k. • Breach of regulation or legislation with severe costs/fine.	• Reportable major injuries to several people or death of an individual.	• Extreme delay.

Moderate	3	• Widespread disgruntlement. • Disrupted service delivery from one service area for up to 3 days. • Can handle but with difficulty.	• Criticism of an important process/service. • Local bad press.	• Some financial loss £100k-2m. • Inability to deliver popular policies due to budgetary constrictions. • Substantial damage to one part of a critical building.	• Multiple uninsured civil litigation or criminal actions with payments / fines of £25k - £50k.	• RIDDOR reportable major injury to an individual.	• Important impact on project or most of expected benefits. • Considerable slippage. • Possible impact on overall finances / programme.
Minor	2	• Small setback - management headache. • Disruptive impact on service. • Localised disgruntlement.	• Embarrassment contained within the service. • Criticism of a secondary process/service.	• Noticeable financial loss; £10-100K. • Slight damage to one property.	• Low value / high volume litigation. • Departmental fine of £5k - £25k.	• Superficial first aid injuries discomfort to more than one person.	• Adverse effect to project. • Slippage requires review finances / short term programme.
Trivial	1	• Small impact on customer service which may result in complaints. • Nuisance • Disgruntlement by a few.	• Embarrassment contained within the service area.	• Small financial loss; less than £10k. • Negligible property damage.	• Low value / volume litigation. • Departmental fine below £5k.	• Superficial first aid injury or discomfort to an individual.	• Minimal impact to project. • Minor slippage.

5.4 Each identified risk should be scored according to the potential level of impact and likelihood (in the current environment – i.e. taking into account the internal controls in place at that 'point in time').

5.5 The scores will provide a list of those risks that need earlier attention. High risks are the ones that should be addressed as a priority. These are risks that are still considered to be high even with the existing level of controls in place. Only a workable number of risks should be focused upon at any one time. Any remaining risks can be dealt with as work progresses.

5.6 Although those risks requiring more detailed analysis have been prioritised there may be other risks that are suitable for a 'quick fix'. It might be useful to clear these to focus on bigger risks and also demonstrate the advantages to be gained through the risk assessment process.

5.7 To support this process it is suggested that identified risks are recorded in the relevant section of the service business plan. When populated this will be known as the operational risk register.

6. Risk Control – Risk Mitigation Strategies

6.1 Having identified and prioritised risks it is necessary to decide upon whether action is required that could reduce the impact and/or the likelihood.

6.2 The course of action decided upon will be determined by the level of risk that can be accepted. This level is known as your 'risk appetite'. The courses available are:

Treat	Take action that will reduce the likelihood and/or the impact of the risk.
Tolerate	Where the impact and/or the likelihood is inherently low or where controls or other risk management activity has reduced them to a low residual level and any further reduction would not be cost-effective.
Transfer	Transfer the risk either in whole or in part.
Terminate	Withdraw from the activity if possible. This is a response to risk that cannot be contained by treatment or transferred to another or where the rewards are not commensurate with the cost of treatment or transfer.

6.3 Any controls should always be proportional to the risk, 'over control' should be avoided. For example, loss control initiatives can be expensive and time consuming to initiate and it is therefore important to try and ensure that they are likely to be successful and will not cost more than the losses they are designed to avoid or mitigate.

6.4 Controls should be clearly described to avoid ambiguity and any obstacles or barriers that might arise and affect them should be explored along with early warning indicators.

6.5 Target dates for completion of aspects of control and reporting of progress should be made clear and recorded.

6.6 Some risks might seem too difficult to tackle because they are controversial, political, too big or too specialist. These should not be avoided but dealt with in a positive but proportional way by considering factors such as the opportunity to improve them, ease of improvement, cost of improvement and breadth of community affected.

6.7 Even with controls some degree of residual risk may remain in which case business continuity plans might need to be considered to reduce impact.

7. Risk monitoring and review

7.1 Few risks remain static and it is important to know and understand what is happening. This can be achieved through regularly monitoring progress and formally reviewing risks in order to:

- Gain assurance that progress is being made towards controlling risks and the effectiveness of controls.

- Monitor changes to the risk profile brought about by circumstances and business priorities i.e. new legislation.

7.2 A suggested monitoring period might be every three months with a more formal review period annually. The frequency will be dependent on the circumstances and environment around the risks. For example, within a rapidly changing environment monthly monitoring and three monthly reviews may be appropriate.

7.3 When monitoring and reviewing risks you need to be clear about how this is to be undertaken. It may help to develop a set of questions for example:

- Are the key risks still relevant?
- Has anything occurred which could impact upon them?
- Are performance indicators appropriate?
- Are the controls in place effective?
- Have risk scores changed and if so are they decreasing or increasing?
- If risk profiles are increasing what further controls might be needed?
- If risk profiles are decreasing can controls be relaxed?

7.4 Where objectives have not been achieved or are not on course to be achieved, the cause(s) should be investigated to inform and improve the risk assessment process.

8. Summary

8.1 Working through this toolkit provides a simple basic methodology to help identify and manage most of the threats and opportunities that might arise.

8.2 It is important to ensure that continuous risk assessment feeds into any decision making and business process.

8.3 It may be helpful to understand how managing risk through this process fits in with the overall framework for managing risk throughout the Council. Details of this can be found in the document 'Risk Management Strategy'.