RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

Risk Management Strategy

March 2014

RISK MANAGEMENT STRATEGY

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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 <u>business continuity</u> 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.

Figure 1 – Strategic Risk Management Arrangements