



## RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

### MUNICIPAL YEAR 2021/22

<b>GOVERNANCE AND AUDIT COMMITTEE</b>  23 <sup>rd</sup> March 2022	<b>AGENDA ITEM NO. 6</b>
<b>REPORT OF THE DIRECTOR OF FINANCE AND DIGITAL SERVICES</b>	<b>RISK MANAGEMENT STRATEGY</b>

#### **REPORT OF DIRECTOR OF FINANCE & DIGITAL SERVICES IN DISCUSSIONS WITH THE RELEVANT PORTFOLIO HOLDER (CLLR NORRIS)**

**Author: Marc Crumbie (Head of Procurement)**

#### **1. PURPOSE OF THE REPORT**

- 1.1 The purpose of the report is to provide the Governance and Audit Committee with an updated draft Risk Management Strategy.

#### **2. RECOMMENDATIONS**

It is recommended that Members:

- 2.1 Review and provide feedback on the updated draft Risk Management Strategy.
- 2.2 Endorse an updated draft Risk Management Strategy and its reporting to Cabinet for consideration and, if deemed appropriate, approval.

#### **3. REASONS FOR RECOMMENDATIONS**

- 3.1 To ensure the Council's risk management arrangements continue to be fit for purpose to support the delivery of Corporate Plan and Service Priorities.

#### **4. BACKGROUND**

- 4.1 The Council's Risk Management Strategy sets out the overall purpose and framework for risk management within the organisation. The framework sets out two levels of risk:
- Strategic Risks – those that the Council faces when delivering its Corporate Plan Priorities; and
  - Operational Risks – those associated with the delivery of service objectives and included within Service Delivery Plans.

- 4.2 Within the Annual Governance Statement 2020/21, the following proposal for improvement was identified:

*“The Council’s Risk Management Strategy was last reviewed and approved by Audit Committee in December 2018. The Strategy should be reviewed and where required proposed updates reported to Audit Committee for consideration. In addition, as part of the review, regard should be given to the findings and recommendations included within the 2020/21 Internal Audit report ‘Risk Management’.”*

- 4.3 Following receipt of the Internal Audit Report earlier this financial year, the following risk management strategy related findings have been incorporated within the draft updated Strategy (this being included at Appendix A):

- The responsibilities of Officers and Cabinet Members in respect of service delivery planning (that incorporates risk management).
- An explanation of how the service delivery planning arrangements support the management of risk.
- An explanation of the concept of risk appetite and the Council's risk appetite in key areas.

- 4.4 In addition, housekeeping updates have been incorporated into the updated Strategy, for example, updating references to the Council's Corporate Plan 'Making a Difference' 2020 – 2024 and also the Well-being of Future Generations Act.

- 4.5 Members are requested to review the updated draft Risk Management Strategy and provide feedback on its adequacy. Thereafter, it is recommended that the draft Strategy is reported to Cabinet for consideration and, if deemed appropriate, approval.

## **5. EQUALITY AND DIVERSITY IMPLICATIONS / SOCIO-ECONOMIC DUTY**

- 5.1 There are no equality and diversity or socio-economic implications as a result of the recommendations set out in the report.

## **6. WELSH LANGUAGE IMPLICATIONS**

6.1 There are no Welsh Language implications as a result of the recommendations set out in this report.

## **7. CONSULTATION / INVOLVEMENT**

7.1 There are no consultation requirements emanating from the recommendations set out in the report.

## **8. FINANCIAL IMPLICATION(S)**

8.1 There are no financial implications emanating from the recommendations set out in the report.

## **9. LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED**

9.1 There are no legal or legislative implications emanating from the recommendations set out in the report.

## **10. LINKS TO THE CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT.**

10.1 Effective risk management arrangements are key to the Council's ability to deliver its service and the priorities set out within the Corporate plan 2020 - 2024 'Making a Difference'.

10.2 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

## **11. CONCLUSION**

11.1 Risk management is an integral part of good management and corporate governance, and is central to the Council's service planning and delivery arrangements. In this way risk management is essential to the Council's ability to deliver efficient and effective public services that help improve the quality of life for local people and support its responsibility as a custodian of public funds.

11.2 The updates made to the Strategy aim to further strengthen the Council's risk management arrangements.

**Other Information:-**

***Contact Officer***

Marc Crumbie (Head of Procurement)

**LOCAL GOVERNMENT ACT 1972**

**AS AMENDED BY**

**THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**GOVERNANCE AND AUDIT COMMITTEE**

**23<sup>rd</sup> March 2022**

**UPDATED DRAFT RISK MANAGEMENT STRATEGY**

**REPORT OF DIRECTOR OF FINANCE & DIGITAL SERVICES IN  
DISCUSSIONS WITH THE RELEVANT PORTFOLIO HOLDER (CLLR  
NORRIS)**

**Item:**

**Background Papers**

None.

Officer to contact: Marc Crumbie (Head of Procurement)



Appendix A – Updated Risk Management Strategy



**RHONDDA CYNON TAF COUNTY  
BOROUGH COUNCIL**

**Risk Management Strategy (DRAFT)**

March 2022

Date of next review: March 2023

## **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. In this way risk management is essential to the Council's ability to deliver efficient and effective public services that help improve the quality of life for local people and support its responsibility as a custodian of public funds.
- 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 Corporate Priorities as set out within the [Corporate Plan 2020 – 2024](#) 'Making a Difference'. The Council's agreed strategic risks are set out in a Strategic Risk Register 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 Understanding the risks the Council face and managing them appropriately aids effective decision-making and contributes to the achievement of the priorities that are set out within the Corporate Plan. 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 Corporate Plan 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, 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 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 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<sup>1</sup> and Service Delivery Planning processes are set out in Table 1.

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

	<b>Responsibility For Drafting</b>	<b>Responsibility For Sign-Off</b>	<b>Oversight / Challenge / Engagement</b>
Service Self Evaluations	Service Director	<ul style="list-style-type: none"> <li>•Chief Executive (where the service directly reports to the Chief Executive); or</li> <li>•Group Director</li> </ul>	Chief Executive / Cabinet Portfolio Elected Member
Service Delivery Plans	Head of Service / Service Director	<ul style="list-style-type: none"> <li>•Chief Executive (where the service directly reports to the Chief Executive); or</li> <li>•Group Director</li> </ul>	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 Corporate Plan priorities, 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.

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<sup>1</sup> 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](#).

## 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 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:
  - Strategy Risk
  - Financial Risk
  - Service Delivery Risks
  - Legal, Regulatory and Governance Risk
  - 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.
  - Eager

- Eager to be innovative and to choose options offering potentially higher rewards despite greater risk.
- 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.
- Cautious
  - Preference for safe delivery options that have a low degree of risk and may only have limited potential for reward.
- Minimalist
  - Preference for very safe business delivery options that have a low degree of risk and only have a potential for limited reward.
- 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

<b>Risk Category</b>	<b>Risk Appetite Statement</b>
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	Cautious - It is important that the Council maintains a high reputation and, therefore, has set a cautious approach to risk in the conduct

following adverse publicity	of its activities.
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- 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. Risk Management – Links to other disciplines

- 9.1 Controlling risk involves a process of reducing the impact and / or likelihood of the risk occurring.
- 9.2 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.

## **10. Partnerships**

- 10.1 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.
- 10.2 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

## **11. Projects**

- 11.1 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.

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

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

12.1 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.

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



**Figure 1 – Strategic Risk Management Arrangements**

