



## Risk Management Strategy

### 1.1 Introduction

This document sets out the framework on which risk management processes at Sprowston Town Council are based. This framework should assist in ensuring that a consistent approach is taken across the Council for the identification, assessment and evaluation of risks, and for ensuring that actions are proportionate to identified risks thereby efficiently and effectively utilising resources and maintain a balance between risks and controls.

### 1.2 The Strategy defines:

- What is meant by risk management;
- Why the Council needs a risk management strategy;
- An overview of the methodology to be adopted and its links with existing processes;
- An outline of the associated roles of Elected Members, the Town Clerk and other employees; and
- A summary of future monitoring and reporting lines for risk management.

### 2.1 What is Risk Management?

**Risk** – *‘Risk is the combination of the probability of an event and its consequence. Consequences can range from positive to negative.’*

**Risk Management** – *‘Process which aims to help organisations understand, evaluate and take action on all their risks with a view to increasing the probability of success and reducing the likelihood of failure.’*

2.2 Risk management is an essential feature of good governance. An organisation that manages risk well is more likely to achieve its objectives. It is vital to recognise that risk management is not simply about health and safety, but applies to all aspects of the Council’s work.

#### Definitions of Governance and Internal Control

**Governance:** the system by which local authorities direct and control their functions and relate to their communities. In other words, the way in which organisations manage their business, determine strategy and objectives and go about achieving those objectives. The fundamental principles are openness, integrity and accountability.

**Internal control:** those elements of an organisation (including resources, systems, processes, culture, structure and tasks) that, taken together, support people in the achievement of business objectives. Internal financial control systems form part of the wider system of internal controls. *(Source: Audit Commission)*

**Responsibilities:** The guidance booklet produced by NALC and the Society of Local Council Clerks entitled “Governance and Accountability in Local Councils in England and Wales – A Practitioner’s Guide” states that, as a minimum Members should:

- Take steps to identify key risks facing the council;
- Evaluate the potential consequences to the council if an event identified as a risk takes place; and
- Decide upon appropriate measures to avoid, reduce or control the risk or its consequences.

After identifying and evaluating the risks, councils need to decide upon appropriate measures to be taken in order to avoid, reduce or control the risk of their consequences. The council’s internal auditor will have a role in reviewing the effectiveness of control measures that the Council decides to put in place. The external auditor will also take into account whether the risks are adequately controlled.

- 2.3 Risks can be classified into various types but it is important to recognise that for all categories the direct financial losses may have less impact than the indirect costs such as disruption of normal working. The examples below are not exhaustive:

**Strategic Risk** – a long term adverse impact from poor decision-making or poor implementation. Risks causing damage to the reputation of the Council, loss of public confidence, in a worst case scenario Government Intervention.

**Compliance Risk** – failure to comply with legislation, or laid down procedures or the lack of documentation to prove compliance. Risks exposure to prosecution, judicial review, employment tribunals, inability to enforce contracts.

**Financial Risk** – fraud and corruption, waste, excess demand for services, bad debts. Risk of additional audit investigation, objection to accounts, reduced service delivery, dramatically increased Council tax levels/impact on Council reserves.

**Operating Risk** – failure to deliver services effectively, malfunctioning equipment, hazards to service users, the general public or staff, damage to property. Risk of insurance claims, higher insurance premiums, lengthy recovery processes.

### 3.1 **Why does the Council need a Risk Management Strategy?**

Risk management will strengthen the ability of the Council to achieve its objectives and enhance the value of services provided.

- 3.2 Strategic risk management is also an integral part of the performance management and service review process and as such is an important element in demonstrating continuous service improvement.

- 3.3 There is an Audit requirement under the Accounts and Audit (England) Regulations 2001 (SI 2011/817) s.4(1) to establish and maintain a systematic strategy, framework and process of managing risk. Risks and their control will be collated in a Risk Register. A statement about the system of internal control and the management of

risk will be included as part of the Annual Statement of Accounts and summarised in the Council's Annual Report.

#### 4.1 Risk Management Policy Statement

Risk management is an integral part of the Council's management processes. It is aware that some risks can never be fully eliminated and it has in place a strategy that provides a structured, systematic and focussed approach to managing risk.

4.2 The Council recognises that it has a responsibility to effectively manage risks in order to protect its customers, employees, assets, liabilities and the communities it serves against potential losses, to minimise uncertainty in achieving its aims and to maximise the opportunities to achieve its vision.

#### 4.3 The objectives of this strategy are to:

- Embed risk management through the ownership and management of risk as part of all decision making processes; and
- Integrate risk management into the culture of the organisation in accordance with best practice.

#### 5.1 What is the Risk Management Process?

Implementing the Strategy involves identifying, analysing/prioritising, managing and monitoring risks.

5.2 **Risk Identification** – identifying and understanding the hazards and risks facing the Council is crucial if informed decisions are to be made about policies or service delivery methods. The risk associated with these decisions can then be effectively managed. All risks identified will be recorded in the Council's Risk Register.

5.3 **Risk Analysis** – Once risks have been identified they need to be systematically and accurately assessed using proven techniques. Analysis should make full use of any available data on the potential frequency of events and their consequences. If a risk is seen to be unacceptable, then steps need to be taken to control it or respond to it.

5.4 **Risk Prioritisation** – An assessment should be undertaken of the impact and likelihood of risks occurring, with impact and likelihood being scored as the table below:

Probability	Severity	Risk Ranking (P*S)
1 Highly Unlikely	1 Trivial	<1 – No Action Required
2 Unlikely	2 Minor injury	>2 – Low Priority
3 Possible	3 Over 3 day injury	>8 – Medium Priority
4 Probable	4 Major injury or condition	>10 – High Priority
5 Certain	5 Incapacity or Death	>15 – Urgent Action Required

The scores for impact and likelihood are scored above. Risks scoring 10 and above will be subject to detailed consideration and preparation of a contingency/action plan to appropriately control the risk.

When new projects are undertaken, the risks will be identified and scored using the matrix shown, and the analysing risk form (Appendix 1). Controls, if required, will

then be added. Reports to the Council will include information on the risks and how these can be mitigated.

- 5.5 **Risk Control** – Risk control is the process of taking action to minimise the likelihood of the risk event occurring and/or reducing the severity of the consequences should it occur. Typically, risk control requires the identification and implementation of revised operating procedures, but in exceptional cases more drastic action will be required to reduce the risk to an acceptable level.

Options for control include:

- **Tolerate** - documenting a conscious decision after assessment of areas where the Council accepts or tolerates risk;
- **Treat** – loss control measures are implemented to reduce the impact/likelihood of the risk occurring;
- **Transfer** – the financial impact is passed to a third party or by way of insurance. This is good for mitigating financial risks or risks to assets;
- **Terminate** – the circumstances from which the risk arises are ceased so that the risk no longer exists.

- 5.6 **Risk Register** – a Risk Register will be included Appendix 2.

- 5.7 **Risk Monitoring** – The risk management process does not finish with putting any risk control procedures in place. Their effectiveness in controlling risk must be monitored and reviewed. It is also important to assess whether the nature of any risk has changed over time.

The information generated from applying the risk management process will help to ensure that risks can be avoided or minimised in the future. It will also inform judgements on the nature and extent of insurance cover and the balance to be reached between self-insurance and external protection.

## 6.1 **Roles and Responsibilities**

It is important that risk management becomes embedded into the everyday culture and performance management process of the Council. The roles and responsibilities set out below, are designed to ensure that risk is managed effectively right across the Council and its operations, and responsibility for risk is located in the right place. Those who best know the risks to a particular service are those responsible for it. The process must be driven from the top but must also involve staff throughout the Council.

- 6.2 **Elected Members** – risk management is seen as a key part of the Elected Member's stewardship role and there is an expectation that Elected Members will lead and monitor the approach adopted. This will include:

- Approval of the Risk Management Strategy;
- Analysis of key risks in reports on major projects, ensuring that all future projects and services undertaken are adequately risk managed;
- Consideration, and if appropriate, endorsement of the Annual Statement of Internal Control; and
- Assessment of risks whilst setting the budget, including any bids for resources to tackle specific issues.

- 6.3 **Town Clerk** – will act as the Lead Officer on Risk Management, overseeing the implementation of the detail of the Risk Management Strategy. The Town Clerk will manage risk effectively, identifying, analysing, prioritising, monitoring and reporting on service risks and any control actions taken.

The Town Clerk will:

- Provide advice as to the legality of policy and service delivery choices;
- Provide advice on the implications of potential service actions for the Council's corporate aims, objectives and key targets;
- Update Council on the implications of new or revised legislation;
- Assist in handling any litigation insurance claims;
- Provide advice on any human resources issues relating to strategic policy options or the risks associated with operational decisions and assist in handling cases of work related illness or injury;
- Advise on any health and safety implications of the chosen or proposed arrangements for service delivery; and
- Report progress to Council meetings.

- 6.4 **Responsible Finance Officer** – as the Council's Section 151 Officer, the Town Clerk will:

- Assess and implement the Council's insurance requirements;
- Assess the financial implications of strategic policy options;
- Provide assistance and advice on budgetary planning and control
- Ensure that Analysis of key risks in reports on major projects, ensuring that all future projects and services undertaken are adequately risk managed;
- Consideration, and if appropriate, endorsement of the Annual Statement of Internal Control; and
- Assessment of risks whilst setting the budget, including any bids for resources to tackle specific issues.

- 6.5 **Employees** – will undertake their job within risk management guidelines ensuring that the skills and knowledge passed to them are used effectively. All employees will maintain an awareness of the impact and costs of risks and how to feed data into the formal process. They will work to control risks or threats within their jobs, monitor progress and report on job related risks to the Town Clerk.

- 6.6 **Role of Internal Audit** – the Internal Audit Team provides an important scrutiny role carrying out audits to provide independent assurance to the Council that the necessary risk management systems are in place and all significant business risks are being managed effectively.

Internal Audit assists the Council in identifying both its financial and operational risks and seeks to assist the Council in developing and implementing proper arrangements to manage them, including adequate and effective systems of internal control to reduce or eliminate the likelihood of errors or fraud.

The Internal Audit Report, and any recommendations contained within it, will help to shape the Annual Statement of Internal Control.

6.7 In addition to the roles and responsibilities set out above, the Council is keen to promote an environment within which individuals/groups are encouraged to report adverse incidents promptly and openly.

7.1 **Conclusion** – The adoption of a sound risk management approach should achieve many benefits for the Council. It will assist in demonstrating that the Council is committed to continuous service improvement and demonstrating effective corporate governance.