Northleach with Eastington Town Council

Risk Management Strategy

1. Introduction

1.1 Northleach with Eastington Town Council ("the Council") has set out this strategy to describe its approach to risk management.

1.2 The objectives of this strategy are to:

- Be 'risk aware', by ensuring that risk management is an integral part of its governance, planning, management, and review processes;

- Establish clear ownership and accountability for risk and risk management within the organisation; and

- Manage risk in accordance with best practice.

1.3 The adoption of a sound risk management approach should achieve many benefits for the Town Council. It will assist in demonstrating that the Town Council is committed to continuous service improvement and effective corporate governance, and help to deliver better value for money for residents.

2. What Risk Management is

2.1 'Risk is the threat that an event or action will adversely affect an organisation's ability to achieve its objectives and to successfully execute its strategies. Risk management is the process by which risks are identified, evaluated, and controlled. It is a key element of the framework of governance […].' Audit Commission, Worth the Risk: Improving Risk Management in Local Government, (2001: 5)

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 financial management or health and safety, but applies to all aspects of the Town Council's work.

2.3 Risks can be classified into various types. The examples below are not exhaustive:

Strategic Risk – Long-term adverse impacts from poor decision-making or poor implementation. Risks damage to the reputation of the Town Council, loss of public confidence, in a worst case scenario Government intervention.

Compliance Risk – Failure to comply with legislation, laid down procedures or the lack of documentation to prove compliance. Risks exposure to prosecution, judicial review, employment tribunals and the 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 Town 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.

Reputational Risk – Failure to meet expectations; poor public or media perception of the council, directly or indirectly via the conduct of its staff and members.

2.4 It is worth noting that for all categories the direct financial losses may have less impact than the indirect costs such as disruption of normal working.

2.5 Not all of these risks are insurable and for some the premiums may not be cost effective. Even where insurance is available, a monetary consideration might not be an adequate recompense. The emphasis should always be on eliminating or reducing risk before costly steps to transfer risk to another party are considered.

2.6 Risk is not restricted to potential threats but can be connected with missed opportunities. Good risk management can facilitate proactive, rather than merely defensive responses. Measures to manage adverse risks are likely to help with managing positive ones.

3. Why the Town Council needs a Risk Management Strategy

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

3.2 The Risk Management Strategy will help to ensure that all councillors and staff have an understanding of risk and that the Town Council adopts a uniform approach to identifying and prioritising risks. This should in turn lead to conscious choices as to the most appropriate method of dealing with each risk.

3.3 Strategic risk management is an important element in demonstrating continuous service improvement.

3.4 There is a requirement under the Accounts and Audit Regulations 2015 to establish and maintain a systematic strategy, framework, and process for managing risk.

4. Risk Management Policy Statement

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

4.2 The Town Council is aware that some risks can never be eliminated fully and it has in place a strategy that provides a structured and systematic to managing risk.

4.3 Risk management is an integral part of the Town Council's management processes.

5. Implementing the Strategy

5.1 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.

5.2 Typically, risk control requires the identification and implementation of revised operating procedures, but in exceptional cases more drastic action may be required to reduce the risk to an acceptable level.

5.3 Options for control include:

Elimination – The circumstances from which the risk arises are removed so that the risk no longer exists;

Reduction – Loss control measures are implemented to reduce the impact/ likelihood of the risk occurring;

Transfer – The financial impact is passed to others e.g. by revising contractual terms;

Insuring – Insure against some or all of the risk to mitigate financial impact; and

Acceptance – Documenting a conscious decision after assessment of areas where the Town Council accepts or tolerates risk.

6. Risk Register

The Strategic Risk Register (Appendix A) will be regularly reviewed and updated as part of this Risk Management Strategy.

The Town Council also records Health and Safety Risk Assessments for its services and activities.

7. Risk Monitoring

7.1 The risk management process does not finish with putting 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 Risk Management Plan will be reviewed at least annually by the Council.

7.2 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.

8. Risk Management System

8.1 Risk Identification – Identifying and understanding the hazards and risks facing the Town Council is crucial if informed decisions are to be made about policies or service delivery methods. The risks associated with these decisions can then be effectively managed.

8.2 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 must be taken to control or respond to the risk.

8.3 Risk Prioritisation - An assessment should be undertaken of the impact and likelihood of risks occurring, with impact and likelihood being scored Negligible (1), Low (2), Medium (3), High (4) and Very High (5).

(A 3x3 risk matrix may also be used where appropriate.)

		Impact				
		Negligible	Low	Medium	High	Very high
Likelihood	Very high	5	10	15	20	25
	High	4	8	12	16	20
	Medium	3	6	9	12	15
	Low	2	4	6	8	10
	Negligible	1	2	3	4	5

Impact and likelihood are scored and multiplied to arrive at an overall rating.

8.4 Risks rated as green (1 to 2) are reasonably acceptable to the Council. It is unlikely that further additional measures are required to control these risks. However, the risk will remain monitored as part of the risk management.

8.5 Risks rated as yellow or amber (3 to 12) are reasonably acceptable to the Council. However, further additional measures may be needed to treat (i.e., control) the risks and so reduce exposure or to consider risk transfer e.g., insurance or a contractual arrangement. The Council must be periodically advised of amber risks and the action planned and /or taken to control them.

8.6 Risks rated as red (score 15 or above) are unacceptable. Immediate action is required to bring the risk down to a lower category risk or, if this is not possible or desired, to terminate the activity that creates the risk. The Council must be immediately advised of red risks and regularly updated on the action planned and taken to control them until they are within the spectrum of reasonably acceptable risk for the Council.

9. Roles and Responsibilities

9.1 It is important that risk management becomes embedded into the everyday culture and performance management process of the Town 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. The process must be driven from the top but must also involve staff throughout the organisation. Once a risk has been identified, it will be given an owner who is the person best able to manage the risk.

9.2 Councillors – Risk management is seen as a key part of Councillors' stewardship role and there is an expectation that Councillors will lead and monitor the approach adopted, including:

(a) Approval of the Risk Management Strategy;

(b) Analysis of key risks in reports on major projects, ensuring that all future projects and services undertaken are adequately risk managed;

(c) Assessment of risks whilst setting the budget, including any bids for resources to tackle specific issues.

9.3 Employees – will undertake their job within risk management guidelines ensuring that their skills, experience and knowledge are used effectively. All employees will maintain an awareness of the impact and costs of risks and how to feed information into the formal process. They will work to control risks or threats within their roles, monitor progress and report on task related risks to their line manager or the Clerk

9.4 Town Clerk – will act as the lead Officer on risk management, assisted by other employees and councillors, and be responsible for overseeing the implementation of the Risk Management Strategy. The Town Clerk will:

(a) Provide advice as to the legality of policy and service delivery options;

(b) In consultation with the Town Council's external advisors as necessary, advise on any health and safety implications or human resource issues of the chosen or proposed arrangements for service delivery;

(c) Assess and implement the Town Council's insurance requirements;

(d) Assess the financial implications of strategic policy options;

(e) Provide advice on budgetary planning and control;

(f) Ensure that the financial information systems and processes allow effective budgetary control;

(g) Ensure the Town Council's Risk Register is maintained; and

(h) Report back to Members on the implementation of the strategy.

9.5 Training – The aim will be to ensure that both Staff and Councillors have the skills necessary to identify, evaluate and control the risks associated with the services they provide. Risk Management training and development will be provided through a range of methods such as workshops, literature and in house service familiarisation.

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

10. Role of Internal Audit

10.1 Internal Audit provides an important scrutiny role by carrying out audits to provide independent assurance to the Town Council that the necessary risk management systems are in place and all significant business risks are being managed effectively.

10.2 Internal Audit assists the Town Council in identifying both its financial and operational risks and seeks to assist the Town 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.

10.3 Internal Audit reports, and any recommendations contained within, will help to inform Council responses in the Annual Governance Statement.

11. Version Control

11.1 This document was adopted on 14 June 2023.

11.2 It will be reviewed annually or earlier on change in legislation or circumstances.