

## **SHILDON TOWN COUNCIL**

### **RISK MANAGEMENT STRATEGY**

#### **1 Introduction**

1.1 This document forms the Council's Risk Management Strategy. It sets out:

- What is risk management;
- Why does the Council need a risk management strategy;
- What is the Council's philosophy on risk management;
- What is the risk management process
- How will risk management feed into the Council's existing policies
- Implementation timetable;
- Roles and responsibilities;
- Future monitoring

1.2 The objectives of this strategy are to:

- Further develop risk management and raise its profile across the Council;
- Integrate risk management into the culture of the organisation;
- Embed risk management through the ownership and management of risk as part of all decision making processes; and
- Manage risk in accordance with best practice.

#### **2 What is Risk Management?**

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 together with community focus, structures and processes, standards of conduct and service delivery arrangements.'* 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 health and safety, but applies to all aspects of the Council's work.

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** - long-term adverse impacts from poor decision-making or poor implementation. Risks damage to the reputation of the Council, loss of public confidence, in a worse 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, increased Best Value inspection, 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.

2.4 Not all these risks are insurable and for some the premiums may not be cost-effective. Even where insurance is available, a monetary consideration may 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.

2.5 Risk is not restricted to potential threats but can be connected with 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 does the Council need a Risk Management Strategy?**

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

3.2 The Risk Management Strategy will help to ensure that all Committees/sections across the Council have an understanding of risk and that the 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, be it elimination, reduction, transfer or acceptance.

3.3 Strategic risk management is also an integral part of the Best Value process and as such is an important element in demonstrating continuous service improvement.

3.4 There is a requirement under the Accounts and Audit Regulations 2003 (SI 2003/533) to establish and maintain a systematic strategy, framework and process for managing risk. Risks and their control will be collated in a Risk Register. A statement regarding 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 Best Value Performance Plan.

#### 4 **What is the Council's philosophy on Risk Management?**

##### 4.1 **Risk Management Policy Statement**

Shildon 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 goals and objectives and to maximise the opportunities to achieve its vision.

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

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

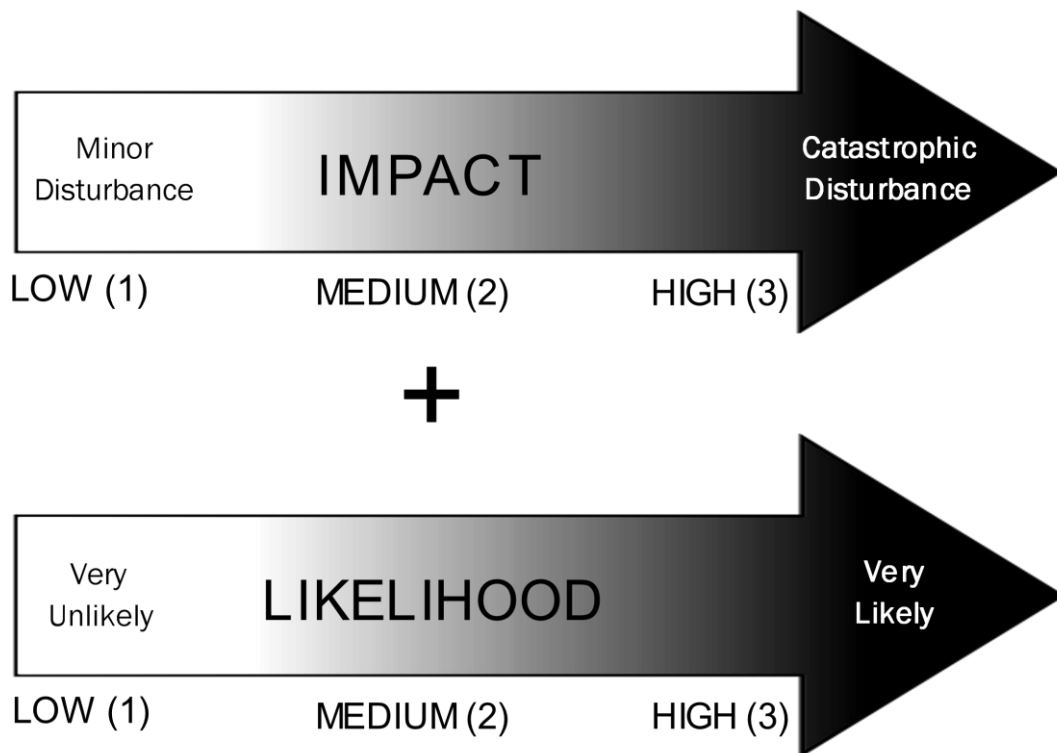
#### 5 **What is the Risk Management Process?**

##### 5.1 **Implementing the Strategy**

**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 risks associated with these decisions can then be effectively managed. All risks identified will be recorded in the Council's Risk Register.

**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 or respond to the risk.

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



The scores for impact and likelihood are added together. Risks scoring 4 and above will be subject to detailed consideration and preparation of a contingency/action plan to appropriately control the risk.

## 5.2 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 require 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:

**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;

**Sharing** - the risk is shared with another party;

**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 Council accepts or tolerates risk.

### 5.3 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 How will Risk Management feed into the Council's existing policies?

6.1 The initial identification of Risks will be achieved by managers and supervisors compiling a list of the risks in their service area(s) which will be integrated into a comprehensive corporate Risk Register.

6.2 **Best Value** – the requirements of Best Value mean that risk management is now more important than ever, as Best Value presents a significant opportunity for the Council to reassess its objectives and the threats to achieving these objectives. The Council will build risk management procedures into the way that it operates as part of a commitment to quality and continuous service improvement. As part of any review process the strategic and operational risks associated with the service under review will be assessed. Recommendations for risk control will be built into the Service Review Reports.

6.3 **Projects and Service Changes** – managers and supervisors developing projects or recommending changes to services will ensure that risks are identified and the measures to eliminate or control risks are documented in agenda reports/briefing papers to be considered by the Council and its committees.

6.4 **Partnership Working** – the Council will continue to enter into a number of partnerships with organisations from the public, private, voluntary and community sectors where necessary. Some of these organisations may not have the same sensitivities to the risks that the Council sees as important. Part of the process of setting up future partnerships will be to ensure that all relevant risks are identified and that appropriate control mechanisms are built into the management arrangements for the partnership.

## 7 Implementation Timetable

- Risk Management Strategy and Policy Statement – adopted by Council 23<sup>rd</sup> October 2006
- Managers and supervisors to examine the Council's risks in detail – Nov 2006 /Jan 2007

- First draft of Risk Register identifying significant risks – February 2007
- Review and revise draft Risk Register – March/April 2007
- Completion of Risk Register and action plans – end May 2007
- Risk Management Strategy reviewed – March 2008

## 8 Roles and Responsibilities

8.1 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 organisation.

8.2 **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, in a similar way to the implementation of Best Value. 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.

8.3 **Managers and Supervisors** - will act as the risk champions for each section, assisting with identifying all risks in their section and the compilation of the Risk Register. They will manage risk effectively in their particular service areas or projects and report how threats and risks have been managed to the Town Clerk. This includes identifying, analysing, prioritising, monitoring and reporting on service risks and any control actions taken.

Specific duties relating to individual officers are detailed in paras. 8.4, 8.5, 8.6 and 8.7 below

8.4 **Town Clerk** – will act as the Lead Officer on Risk Management and be responsible for overseeing the implementation of the detail of the Risk Management Strategy. The Town Clerk will:

- provide advice as to the legality of policy and service delivery choices;
- provide advice on the implications for service areas of the Council's corporate aims, objectives and Best Value targets;
- update the Council and sections on the implications of new or revised legislation;
- assist in handling any litigation claims;
- provide advice on any human resource 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;
- report progress to Council via the Resources Committee; and
- ensure that Risk Management is an integral part of all Best Value reviews including recommendations for risk control in service review reports.

8.5 **Responsible Finance Officer** – as the Council's Section 151 Officer the Town Clerk will also:

- 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 the Financial Information System allows effective budgetary control; and
- effectively manage the Council's investment and loan portfolio.

8.6 **Managers and Supervisors** – as 6.3 above

8.7 **Employees** – will undertake their job within risk management guidelines ensuring that their skills and knowledge 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 their manager or supervisor.

8.8 **Role of Internal Audit** – Internal Audit provides an important scrutiny role by carrying out audits to provide independent assurance to the Resources Committee 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.

Internal Audit reports, and any recommendations contained within, will help to shape the annual Statement of Internal Control.

- 8.9 **Resources Committee** – Review and future development of the Risk Management Policy and Strategy and compilation of the Risk Register will be overseen by the Resources Committee.
- 8.10 **Training** – Risk Management training will be provided to Elected Members, managers and supervisors through a variety of mediums. The aim will be to ensure that both Elected Members and staff have the skills necessary to identify, evaluate and control the risks associated with the services they provide.
- 8.11 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. To assist with this aspect, the Council has developed a ‘whistle-blowing’ policy.

## 9 **Future Monitoring**

- 9.1 **Review of Risk Management Strategy** - This Strategy will be reviewed on a regular basis as part of the Council’s continuing review of its policy documents, Standing Orders and Financial Regulations. Recommendations for change will be reported to the Resources Committee. The date of the first review will be March 2008.
- 9.2 Once the initial work to establish a Risk Register has been completed, it is crucial that the information is regularly reviewed and updated. New risks will emerge and need to be controlled. Feedback from Internal and External Audit can identify areas for improvement, as can the sharing of best practice via professional bodies, the National Association of Local Councils and relevant local council forums.
- 9.3 **Reporting on Progress** – The Town Clerk will present an annual report to the Resources Committee detailing progress on risk management over the year and providing a summary of the Risk Register.

## 10 **Conclusion**

- 10.1 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 effective corporate governance.



## 11 **Freedom of Information**

- 11.1 In accordance with the Freedom of Information Act 2000, this document will be posted on the Council's Website [www.shildon.gov.uk](http://www.shildon.gov.uk) and copies of this document, the Risk Management Policy and the Risk Register will be available for inspection at the Council Offices.