

## **RISK MANAGEMENT POLICY**

**Reviewed February 2020  
Policy & Resources (minute Pxxx)**

### **Introduction**

Hedge End Town Council is committed to identifying and managing risks using the following procedures and to ensuring that risks are maintained at an acceptable level. Any action that is felt necessary will be taken by the Hedge End Town Council.

The Town Clerk will review risks on a regular basis, including any newly identified risks and will report to Policy & Resources Committee. The review will include identification of any unacceptable levels of risk.

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

*'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)

The Local Councils Governance and Accountability Guidance (March 2019) makes the following observations regarding risk management:

1. Risk management is not only about financial management, it is concerned with setting objectives and achieving them in order to deliver high quality public services.
2. The approach places emphasis on local councils strengthening their own corporate governance arrangements, improving their stewardship of public funds and providing assurance to taxpayers.

In order to manage risk, the Town Council needs to know what risks it faces. Identifying risks is therefore the first step in the management process.

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 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 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.

## **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:

**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.

## **Risk Management System**

**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.

**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 using a matrix.

<b>Likelihood</b>	Highly Likely (3)	Medium (3)	High (6)	High (9)
	Possible (2)	Low (2)	Medium (4)	High (6)
	Unlikely (1)	Low (1)	Low (2)	Medium (3)
		Negligible (1)	Moderate (2)	Severe (3)
		<b>Impact</b>		

Where a residual risk is low further action will only be taken where it is viable to do so. Medium risks will be addressed within the next 3 to 6 months. High risks will require action as soon as possible.

### **Roles and Responsibilities**

The guidance goes on to make the point that Elected Members are ultimately responsible for risk management because risk threatens the achievement of policy objectives. Elected Members should, therefore:

- a. undertake steps to identify key risks facing the Council;
- b. evaluate the potential consequences to the Town Council if an event identified as a risk takes place;
- c. decide upon appropriate measures to avoid, reduce or control the risk or its consequences.

**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 the Town Clerk.

**Town Clerk & RFO** – will act as the Lead Officer on Risk Management and be responsible for overseeing the implementation of the Risk Management Policy. The Town Clerk will:

- (a) provide advice as to the legality of policy and service delivery choices;
- (b) provide advice on the implications for service areas of the Council's corporate aims and objectives;
- (c) update the Council on the implications of new or revised legislation;
- (d) assist in handling any litigation claims;
- (e) 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;

- (e) advise on any health and safety implications of the chosen or proposed arrangements for service delivery;
- (f) assess and implement the Council's insurance requirements;
- (g) assess the financial implications of strategic policy options;
- (h) provide assistance and advice on budgetary planning and control;
- (i) ensure that the Financial Information System allows effective budgetary control;
- (j) maintain the Council's Risk Register;
- (k) effectively manage the Council's investment and loan portfolio.

**Internal Audit** – will provide a scrutiny role by 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 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.

## **Review**

The policy will be reviewed annually by the Policy & Resources Committee.