



# NEWHAVEN TOWN COUNCIL

## RISK MANAGEMENT STRATEGY

### 1 Introduction

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

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

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, contributing to improved decision making. The process contributes to improved decision making and the achieving of objectives. When embedded within the existing planning and decision making process, risk management provides a basis for ensuring implications are thought through, and ensures that the impact of decisions, initiatives and projects are considered, and that conflicts are balanced. This will influence success and improve service delivery.

2.3. Risk Management Benefits:

- Protecting and adding value to the Council and its stakeholders by supporting the achievement of the Council's aims and objectives;
- Improved strategic, operational and financial management;
- Ensuring future activity takes place in a consistent and controlled manner;
- Improved decision making, planning and prioritisation;
- Mitigation of key threats and taking advantage of key opportunities;
- Contributing to more efficient use/allocation of resources;
- Protecting and enhancing assets and image;
- Optimising operational efficiency and therefore delivering efficiency gains and value for money;
- Allocating time and management effort to major issues;
- Avoiding shocks and crises;
- Safeguarding tangible and intangible assets;
- Promotion of innovation and change;
- Improved customer service delivery.

It is therefore vital to recognise that risk management is not simply about health and safety, but applies to all aspects of the Council's work.

2.4. 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.

2.5. These risks can be broken down further into specific areas which could impact on the achievements of the Council's long-term and day-to-day delivery of services:

- **Political** - Those associated with the failure to deliver within local, regional or national policy;

- **Financial** – Those affecting the ability of the Council to meet its financial commitments; failure of major projects; internal and external audit requirements; failure to prioritise and allocate resources effectively; poor contract management; initiative overload;
- **Social** – Those relating to the effects of changes in demographic, residential, or socio-economic trends on the Council's ability to deliver its corporate priorities;
- **Technological** – Those associated with the capacity of the Council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. It would also include the consequences of internal failures on the Council's ability to deliver its objectives;
- **Legal** – The ability of the Council to meet legislative demands affecting breaches of legislation (UK & EU).
- **Environmental** – Those relating to the environmental consequences of progressing the Council's strategic objectives in terms of energy, efficiency, pollution, recycling, emissions etc;
- **Partnership/contractual** – Those associated with the failure of partners/contractors to deliver services to an agreed cost and specification and similarly failure of the Town Council to deliver services to an agreed cost and specification; compliance with procurement policies (internal/external); ensuring open and fair competition;
- **Human Resources** – Those associated with the professional competence of staff; lack of training and development; over reliance on key personnel; ineffective project management; recruitment and selection issues;
- **Organisational** – Those associated with the review of services and delivering continuous improvement;
- **Health & Safety/Physical** – Those related to fire, safety, accident prevention and health & safety which pose a risk to both staff and the public; safeguarding and accounting of physical assets.
- **Reputational** – Those associated with the changing needs of customers and the electorate; ensuring appropriate consultation; avoiding bad public and media relations.

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

- 2.6. 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/departments 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. The Risk Management Strategy provides assurances to members and officers on the adequacy of arrangements for the conduct of business and the use of resources. Implementation of the strategy leads to greater risk awareness and improved control, which should mean fewer incidents and control failures and in some cases lower insurance premiums.
- 3.4. There is an Audit 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 about the system of internal control and the management of risk will be included as part of the Annual Statement of Accounts.

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

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

*Newhaven 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.*

*Whilst it is acknowledged that risk cannot be totally eliminated it is accepted that much can be done to reduce the extent of injury, damage and financial loss. Therefore, Newhaven Town Council is committed to identifying, reducing or eliminating the risks to both people and the natural and built environments.*

*The Council will carry insurance in such amounts and in respect of such perils as will provide protection against significant losses, where insurance is required by law or contract and in other circumstances where risks are insurable and premiums cost effective.*

*The Council will seek to embed effective risk management into its culture, processes and structure to ensure that opportunities are maximised. The Council will seek to encourage managers to identify, assess and manage risks, and learn to accept the right risks.*

#### 4.1. Objectives

The objectives of the Council's Risk Management Strategy are to:

- Integrate risk management into the culture of the council;
- Manage risk in accordance with best practice;
- Anticipate and respond to changing social, political, environmental, technological and legislative requirements;
- Prevent loss, disruption, damage and injury and reduce the cost of risk, thereby maximising resources;
- To inform policy and operational decisions by identifying risks and their likely impact;
- Raise awareness of the need for risk management by all those connected with the Council's delivery of services.

These objectives will be achieved by:

- Establishing clear roles, responsibilities and reporting lines within the Council for risk management;
- Embedding risk management into the Council's decision making process, service delivery, project management and partnership working;
- Providing opportunities for training and shared learning on risk management across the Council
- Offering a framework to identify priority risk areas, including the provision of risk registers at strategic and operational levels;
- Reinforcing the importance of effective risk management as part of the everyday work of employees
- Incorporating risk management considerations into all levels of Council service provision;
- Developing effective communication with, and the active involvement, of employees;
- Monitoring of arrangements, at all levels on an ongoing basis
- Identification and evaluation of risks associated with partners, contractors and other agencies and community groups
- Ensuring robust Business Continuity arrangements are in place

### 5 What is the Risk Management Process?

- 5.1. 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 risks 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 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.

- 5.5. **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 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 ceased 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 with another party;
- **Insuring** 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.

- 5.6. **Risk Register** – The Council currently prepares its Risk Register using the LCRS software. Procedures for usage of the software are included in Annex 1

- 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 **How will it feed into the Council's existing polices?**

- 6.1. Initial Identification of Risks will be by the Clerk and RFO.

- 6.2. **Annual Reporting** – there continue to be requirements 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.
- 6.3. **Projects and Service Changes** – service managers and project officers developing projects or recommending service changes 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 Council and committees.
- 6.4. **Partnership Working** – the Council is entering into an increasing number of partnerships with organisations from the public, private, voluntary and community sectors. 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**

The Risk Management Strategy will be adopted by the Policy & Resources Committee on 24<sup>th</sup> June 2014 and the Risk Register developed during 2014/15. From then on there shall be ongoing reviews of the register and reporting on the Strategy and control assurance to the Policy & Resources Committee on an annual basis.

## 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. 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. **Senior Officers** will act as the risk champions for their areas of specialty, assisting with identifying all risks within their remit 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 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 and 8.6 below:

8.4. **Clerk to the Council** – will act as the Lead Officer on Risk Management, overseeing the implementation of the detail of the Risk Management Strategy.

The 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 and objectives;
- update Council 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; and
- report progress to Council via the Policy & Resources Committee as detailed in para 9.3 below.

8.5. **Responsible Finance Officer** – as the Council's Section 151 Officer, will:

- work with the Town Clerk to 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
- inform investment decisions made by the Council.

8.6. **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 their line manager.

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

The Internal Auditor 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.

- 8.8. Development of the Risk Management Strategy and compilation of the Risk Register will be undertaken by the Clerk and Responsible Finance Officer
- 8.9. **Training** – Where appropriate risk management training will be provided to Elected Members, senior officers and key staff via facilitated workshops. 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.

## 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 Policy & Resources Committee.
- 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 such as the National Association of Local Councils and the Society of Local Council Clerks.
- 9.3. **Reporting on Progress** – The Clerk will present an annual report to the Policy & Resources Committee detailing progress on risk management over the year and providing a summary of the Risk Register and control assurance statements.

## 10 **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 effective corporate governance.

## 11 **Alignment with other Policies of the Council**

This Risk Management Strategy should be read in conjunction with the following policies of the Council:

- Standing Orders
- Financial Regulations

## 12 **Freedom of Information**

In accordance with the Freedom of Information Act 2000, this Document will be posted on the Council's Website [www.newhaventowncouncil.gov.uk](http://www.newhaventowncouncil.gov.uk) and copies of this document and the Risk Register will be available for inspection on deposit in the Council Offices.