ST AUSTELL 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 and officers; 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. 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:

2.3.1   **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.

2.3.2 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.

2.3.3 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.

2.3.4 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.

2.3.5 Reputational Risk – damage to reputation through the actions or inaction of officers and/or members.

2.4 Not all of 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.

2.5 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 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 There is an Audit requirement under the Accounts and Audit Regulations 2015 (SI 2015/234) 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

St Austell Town Council recognises that, in addition to its statutory duties, there are cogent moral and economic reasons to take all practicable and reasonable measures to safeguard people and the natural and built environments. 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, St Austell

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.

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 or consequence and likelihood of risks occurring, with impact and likelihood being scored on a scale from 1 to 5 with 1 being low and 5 high.

The scores for impact and likelihood are multiplied together. Risks scoring 12 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 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:

5.5.1 **Elimination** – the circumstances from which the risk arises are ceased so that the risk no longer exists;

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

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

5.5.4　**Sharing** the risk with another party;

5.5.5　**Insuring** against some or all of the risk to mitigate financial impact; or

5.5.6　**Acceptance** – documenting a conscious decision after assessment of areas where the Council accepts or tolerates risk.

5.6　**Risk Register** – a register of strategic risks will be collated and an additional system of risk assessments will be maintained for all identified operational risks. Each will be reviewed at least annually.

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 policies?

6.1　All reports to Council or Committees will consider risk management issues. Initial identification of strategic and operational risks will be by officers who will compile lists of strategic and operational risks. Regular reports on risk management will be presented to the Finance and General Purposes Committee for consideration.

6.2　**Best Practice** – the current economic climate means that risk management is now more important than ever, it is important 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

6.4　**Localism and Partnership Working** – the Council enters into contracts and 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.　Roles and Responsibilities

7.1　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 or function are those responsible for it. The process must be driven by members but must also involve officers.

7.2   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.

7.3   Town Clerk and Responsible Finance Officer – will act as the Lead Officer on Risk Management, 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 of potential service actions for the Council's corporate aims and objectives;
- update Council on the implications of new or revised legislation;
- assess and implement the Council's insurance requirements;
- assess the financial implications of strategic policy options;
- ensure that the Financial Information System allows effective budgetary control;
- inform investment decisions made by the Council.
- 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;
- consider the environmental implications of policy and service delivery choices;
- have due regard to the Equality Act 2010 when dealing with Risk Management issues; and
- report progress to Council via the Finance and General Purposes Committee as detailed in para 8.3 below.

7.4   The Operations Manager will act as the Lead officer for Risk Management and Health and Safety matters associated with the operational services of the Council.

7.5   The Deputy Town Clerk will act as the Lead Officer for Risk Management in connection with employees' health and wellbeing and human resources issues.

7.6   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 the Clerk or their line manager.

7.7   **Role of Internal Audit** – the Internal Auditor provides an important scrutiny role carrying out audits to provide independent assurance to the Finance and General Purposes Committee and 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.

7.8   **Training** – Risk Management training will be provided to Elected Members, and key staff. 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.

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 will develop and maintain an Anti-Fraud and Corruption Policy, a Confidential Reporting ('whistleblowing') Policy, Employee Handbooks and Health and Safety Handbooks.

8   **Future Monitoring**

8.1   **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 Finance and General Purposes Committee. The date of the next review will be February 2024.

8.2   Once the initial work to establish Risk Registers 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.

8.3   **Reporting on Progress** – The Town Clerk will present an annual report to the Finance and General Purposes Committee detailing progress on risk management over the year and providing a summary of the Risk Register(s) and control assurance statements.

9.   **Conclusion**

9.1   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 demonstrating effective corporate governance.

10.   Freedom of Information

10.1. In accordance with the Freedom of Information Act 2000, this Document will be posted on the Council's Website and copies of this document and the Risk Register will be available for inspection on deposit in the Council Office.