

# Wimborne Monster Town Council Risk Management Strategy

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Approved and adopted by the Finance and Governance Committee on 18 July 2023, minute reference FG/2023/026.

## Contents

1. Introduction .....	2
2. What is Risk Management? .....	2
3. Why does the Council need a Risk Management Strategy? .....	2
4. Risk Management Policy Statement .....	2
5. Objectives of the Risk Management Strategy: .....	3
6. Types of Risks .....	3
7. Risk Management Process .....	4
8. Risk Monitoring .....	6
9. Roles and Responsibilities .....	6
10. Monitoring and Review .....	7

## 1. Introduction

This document forms Wimborne Minster Town Council's (the Council) Risk Management Strategy and sets out:

- what risk management is;
- why the Council needs a risk management strategy;
- risk management policy statement;
- the objectives of the risk strategy;
- what the Council's philosophy on risk management is;
- what the risk management process is;
- roles and responsibilities, and
- future monitoring.

## 2. What is Risk Management?

2.1 'Risks are uncertain events or conditions (not just financial) that if they occur, will affect the authority's ability to achieve its objectives" (Joint Panel of Accountability and Governance Practitioners Guide 2023 page 12).

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.

## 3. Why the Council needs a Risk Management Strategy

3.1 Risk management strengthens the ability of the Council to achieve its objectives, enhances the value of services provided and is important to continuous service improvement and business continuity.

3.2 This Strategy will help ensure that committees and Council have an understanding of 'risk' and a uniformed approach is adopted to identify, prioritise and mitigate risks. This will lead to conscious choices as to the most appropriate method of dealing with each risk (i.e. elimination, reduction, transfer or acceptance).

3.3 This Strategy provides assurances to councillors and staff on the adequacy of arrangements for the conduct of business and the use of resources - its Implementation 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 a requirement under the Accounts and Audit Regulations 2015 to establish and maintain a systematic strategy, framework and process for managing risk under "proper practices".

## 4. Risk Management Policy Statement

4.1 Council is committed to identifying and managing risks using proper practices and the introduction of procedures to ensure that risks are identified and managed at an acceptable level. Any action that is felt necessary to reduce risks will be undertaken.

4.2 Risk management is an integral part of the Council's management process. It is aware that some risks can never be fully eliminated, and it has in place a strategy that provides a structured, systematic and focused approach to managing risk.

4.3 The Council recognises that it has a responsibility to effectively manage risks in order to protect its customers, employees, assets, liabilities and the communities

it serves against potential losses, to minimise uncertainty in achieving its aims and to maximise the opportunities to achieve its vision.

## 5. Objectives of the Risk Management Strategy:

### 5.1 The objectives of this 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, and
- raise awareness of the need for risk management by all those connected with the Council's delivery of services.

### 5.2 These objectives will be achieved by:

- establishing clear roles and 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 and prioritise risk areas;
- reinforcing the importance of effective risk management as part of the everyday work of staff;
- 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, volunteers, contractors and community groups, and
- ensuring business continuity arrangements are in place.

## 6. Types of Risks

6.1 Risks can be classified into various types, but it is important to recognise that for all categories the financial losses may have less impact than non-financial factors such as disruption to services and impact on reputation. Generally, there are four categories of risk, all of which are interdependent. Some examples of each category are shown below:

- **Strategic** - long-term adverse impacts from poor decision-making or poor implementation. Risks damage to the reputation of the Council, loss of public confidence, financial viability which in a worst-case scenario could trigger Government intervention.
- **Compliance / Governance** - failure to comply with legislation, proper procedures, or the lack of documentation to prove compliance. Risks exposure to prosecution, judicial review, employment tribunals and the inability to enforce contracts.
- **Financial** – not following procurement procedures, fraud and corruption, excessive waste or demand for services, financial irregularities, or bad debts. Risk of legal action, additional audit investigation, objection to accounts, reduced service delivery, dramatically increased precept levels/impact on Council reserves, asset deterioration.

- **Operating** - failure to deliver services effectively, efficiently and economically, malfunctioning equipment, hazards to service users, the general public or staff, damage to property. Reputational risks as well as risk of insurance claims, higher insurance premiums, lengthy recovery processes.

6.2 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:

**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 affectively; 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.

**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 and the 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, selection and retention 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.

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

6.4 Risk is not restricted to potential threats but should be connected with missed opportunities. Good risk management promotes proactive, rather than merely defensive responses, and will help improve process to ensure business continuity.

## 7. Risk Management Process

To implement the Strategy, the following process must be followed:

7.1 **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. The risks associated with these decisions can then be effectively managed. All risks that are identified to have an impact on the Council’s policies, business or reputation will be recorded in the Council’s Risk Schedule.

7.2 **Risk Analysis** – once risks have been identified they need to be systematically and accurately assessed. 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.

7.3 **Risk Prioritisation** - an assessment should be undertaken of the impact and likelihood of risks occurring, with impact and likelihood being recorded and scored as Low (range score between 1-2), Medium (range score between 3-4) or High (score 5). Risks scoring ‘High’ will be subject to detailed consideration and preparation of a contingency/action plan to appropriately control the risk.

The Council will use the following risk matrix to measure the likelihood and severity of the identified risks (as recommended by the Joint Panel on Accountability and Governance Practitioners’ Guide March 2023) :

Priority of risk management				
Likelihood of occurrence	Highly Likely (score 3)	Medium (3 x 1)	High (3 x 2)	Very High (3 x 3)
	Possible (score 2)	Low (2 x 1)	Medium (2 x 2)	High (2 x 3)
	Unlikely (score 1)	Very low (1 x 1)	Low (1 x 2)	Medium (1 x 3)
		Negligible (score 1)	Moderate (score 2)	Severe (score 3)
		Impact		

7.4 **Risk Control** is the process of taking action to minimise the likelihood of the risk event occurring and its impact /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.

7.5 Options for control include:

- **Elimination** – the circumstances from which the risk arises are removed so that the risk no longer exists.
- **Reduction** – measures are implemented to reduce the impact / likelihood of the risk occurring.
- **Transfer** – the risk is passed to others e.g., transfer the financial impact through insurance or indemnity clauses in a contract. Outsourcing services allow risks to be transferred.
- **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.

## 8. Risk monitoring

- 8.1 The risk management process does not finish with putting risk control procedures in place. The 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. For example, some risks may be able to be closed as circumstances change, to be replaced by new risks. Actions should be reviewed and monitored regularly to ensure their effectiveness and allow gaps in control to be identified.
- 8.2 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.

## 9. Roles and responsibilities

- 9.1 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 in the right place.
- 9.2 Councillors – risk management is seen as a key part of the Councillor's stewardship role and there is an expectation that councillors attend meetings and, as a corporate body of a committee or Full Council, are responsible for risk management, as risk threatens the achievement of policy and strategic objectives. Councillors, via the Finance and Governance Committee, will lead and monitor the approach adopted, including:
- review and approval of this Risk Management Strategy;
  - analysis of risks in reports on projects, ensuring that all future projects and services undertaken are risk managed;
  - consideration, and if appropriate, endorsement of the Annual Governance Statement, and
  - assessment of risks whilst setting the budget, including any plans for resources to tackle specific issues.
- 9.3 Staff – will undertake their job within Council's risk management guidelines ensuring that their skills and knowledge are used effectively. All relevant staff will maintain an awareness of the impact and costs of risks and how to feed data into the formal process, will work to control risks or threats within their responsibilities, monitor progress and report on job related risks to their line manager.
- 9.4 Town Clerk – will act as the lead on risk management, supported by the Deputy Town Clerk and Finance Manager, and be responsible for overseeing the implementation 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 and objectives;
  - update the 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 (supported by Council's external H&S contractor); and

- advise on any health and safety implications of the chosen or proposed arrangements for service delivery (supported by Council's external H&S contractor) .

9.5 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 accounts system allows effective budgetary control;
- maintain the Council's Risk Schedule, and
- effectively manage the Council's loan portfolio.

9.6 Role of Internal Audit – this provides an important 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 being managed effectively.

It also 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 Governance Statement.

9.7 Training – risk management training will be provided as required to Councillors and staff through a variety of mediums. The aim will be to ensure that both Councillors and staff have the skills necessary to identify, evaluate and control the risks associated with the services they provide.

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

## 10. Monitoring and review

10.1 This Strategy will be reviewed regularly by the Finance and Governance Committee and recommended to Full Council annually (or sooner if required to identify and address any new risks).

10.2 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.

10.3 The Town Clerk will present an annual report to the Finance and Governance Committee and Council detailing progress on risk management over the year and providing a summary of the Risk Management Schedule and control assurance statements.

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