



Risk Management Strategy

1.1 Introduction

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This document sets out the framework on which risk management processes at Mildenhall High Town Council are based. This framework should assist in ensuring that a consistent approach is taken across the Council for the identification, assessment and evaluation of risks, and for ensuring that actions are proportionate to identified risks thereby efficiently and effectively utilising resources and maintain a balance between risks and controls.

1.2 The Strategy defines:

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

2.1 What is Risk Management?

Risk – *‘Risk is the combination of the probability of an event and its consequence. Consequences can range from positive to negative.’*

Risk Management – *‘Process which aims to help organisations understand, evaluate and take action on all their risks with a view to increasing the probability of success and reducing the likelihood of failure.’*

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.

Definitions of Governance and Internal Control

Governance: the system by which local authorities direct and control their functions and relate to their communities. In other words, the way in which organisations manage their business, determine strategy and objectives and go about achieving those objectives. The fundamental principles are openness, integrity and accountability.

Internal control: those elements of an organisation (including resources, systems, processes, culture, structure and tasks) that, taken together, support people in the achievement of business objectives. Internal financial control systems form part of the wider system of internal controls. *(Source: Audit Commission)*

Responsibilities: The guidance booklet produced by SALC and the Society of Local Council Clerks entitled “Governance and Accountability in Local Councils in England and Wales – A Practitioner’s Guide” states that, as a minimum Members should:

- Take steps to identify key risks facing the council;
- Evaluate the potential consequences to the council if an event identified as a risk takes place; and
- Decide upon appropriate measures to avoid, reduce or control the risk or its consequences.

After identifying and evaluating the risks, councils need to decide upon appropriate measures to be taken in order to avoid, reduce or control the risk of their consequences. The council’s internal auditor will have a role in reviewing the effectiveness of control measures that the Council decides to put in place. The external auditor will also take into account whether the risks are adequately controlled.

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 – a long term adverse impact from poor decision-making or poor implementation. Risks causing 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 or laid down procedures or the lack of documentation to prove compliance. Risks exposure to prosecution, judicial review, employment tribunals, 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.

3.1 Why does the Council need a Risk Management Strategy?

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

3.2 Strategic risk management is also an integral part of the performance management and service review process and as such is an important element in demonstrating continuous service improvement.

3.3 There is an Audit requirement under the Accounts and Audit (England) Regulations 2001 (SI 2011/817) s.4(1) to establish and maintain a systematic strategy, framework and process of 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 and summarised in the Council's Annual Report.

4.1 Risk Management Policy Statement

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

4.2 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.

4.3 The objectives of this strategy are to:

- Embed risk management through the ownership and management of risk as part of all decision-making processes
- Integrate risk management into the culture of the organisation in accordance with best practice.

5.1 What is the Risk Management Process?

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 risk 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, such as the LCRS Risk Management System. 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 Severity Risk Ranking (P*S)

An assessment should be undertaken of the impact and likelihood of risks occurring, with impact and likelihood being scored as the table below: **Probability**

1 Highly Unlikely	1 Trivial	<1 – No Action Required
2 Unlikely	2 Minor injury	>2 – Low Priority
3 Possible	3 Over 3 day injury	>8 – Medium Priority
4 Probable	4 Major injury or condition	>10 – High Priority
5 Certain	5 Incapacity or Death	>15 – Urgent Action Required