

Appendix C: Risk Management Policy

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ANDOVER TOWN COUNCIL

RISK MANAGEMENT POLICY – 2022 (June 2022)

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1. Policy Statement

- 1.1. Andover Town Council (ATC) recognises that, in addition to its statutory duties, it has a responsibility to manage risks effectively in order to protect the community, its employees and assets against potential losses and ensure clarity of action. Risk management is an integral part of the Councils management process.

- 1.2. ATC is aware that some risks can never be eliminated fully, and it has in place a strategy that provides a structured, systematic and focused approach to managing risk.

2. Introduction

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

- a. What risk management is
- b. Why ATC needs a risk management strategy
- c. The benefits of risk management
- d. Roles and responsibilities of members, staff and others;
- e. How the strategy will be implemented

2.2 The objectives of this strategy are to:

- a. Identify risks
- b. Put in controls to minimise risk
- c. Integrate risk management into the culture of the council
- d. Embed risk management through the ownership and management of risk as part of all decision-making processes
- e. Further develop risk management and raise its profile across the council
- f. Manage risk in accordance with best practice
- g. Consider and respond to changing social, environmental and legislative requirements

2.3 These objectives will be achieved by:

- a. Establishing clear roles and responsibilities and awareness, including use of training as appropriate
- b. Incorporating risk management considerations into the Council's management process – for instance, in considering new projects

3. What is Risk Management?

3.1. '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 arrangements¹. Audit Commission, *Worth the Risk: Improving Risk Management in Local Government*, (2001:5).

3.2. 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.

3.3 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 the only examples:

- a. **Strategic Risk** – long-term adverse impacts from poor decision making, poor implementation, inadequate resourcing or failure to respond to change. Failure to address risk can result in damage to the reputation of the Council, loss of public confidence, or in a worst case scenario, stimulate Government intervention.
- b. **Compliance Risk** – failure to comply with legislation, laid down procedures or the lack of documentation to prove compliance. This risks exposure to prosecution, judicial review, employment tribunals and/or the inability to enforce contracts.
- c. **Financial Risk** – fraud and corruption, waste, excess demand for services, bad debts. This presents risk of additional audit investigations, objection to accounts, reduced service delivery, dramatically increased Council Tax levels/impact on Council reserves.
- d. **Operating Risk** – failure to deliver services effectively, malfunctioning equipment, hazards to service users, the general public or staff, damage to property. Presenting risk of insurance claims, higher insurance premiums, lengthy recovery process.

3.4 Not all these risks are insurable and for some, the premiums may not be cost effective. Even where insurance is available, a monetary consideration might 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.

3.5 Risk is not restricted to potential threats but can arise from missed 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.

4. Why does ATC need a Risk Management Strategy?

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

4.2. The Risk Management Strategy will help to ensure that all committees/service areas understand 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.

- 4.3. Strategic risk management is also an important element in demonstrating continuous service improvement.
- 4.4. There is a requirement under successive Accounts and Audit Regulation to establish and maintain a systematic strategy, framework and proves for managing risk.

5. Benefits of Risk Management

- 5.1. Risk management is regarded as an essential element of good governance and as an integral part of internal control. It provides the foundation for effective management throughout the Council and focuses attention on the achievement of corporate objectives together with a consistent and structured approach to risk. Managing risk in this way delivers many other benefits to the Council as set out below:
 - a. The process provides a fully documented record of all major risks and opportunities
 - b. The risk of failure of any initiative is reduced and, due to advance consideration of risk, fewer opportunities will be missed. There is also greater innovation in seizing opportunities.
 - c. Staff can communicate their prioritised risks to members, therefore enabling focus on those risks and properly evaluated risk decisions. There is also an enhanced ability to justify actions taken.
 - d. The Council can anticipate emerging issues in an ongoing and organised manner before they reach unmanageable proportions.
 - e. To be effective, risk management requires input and ideas from all staff and members. This creates a culture of risk ownership.
 - f. Embedded risk management satisfies Corporate Governance requirements.
 - g. The Council's reputation is protected and enhanced.
 - h. The Council should receive fewer complaints and will have a more satisfied community as a result.
 - i. Income can be maximised and expenditure reduced.

6. Responsibilities

- 6.1. Andover 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 goals and objectives and to maximise its opportunities.

6.2. The Town Council is aware that some risks can never be eliminated fully, and its strategy provides a structured, systematic and focussed approach to managing risk.

6.3. This policy places a responsibility on all Members and Officers to have regard for risk in carrying out their duties. Its purpose is to enable the Council to manage its risks through anticipation and control.

6.4. Risk management is only considered to be truly embedded when it functions as part of the Council's day to day operations. For this to be achieved, it is vital that clarity exists to determine the various roles and responsibilities of individuals involved throughout the Council in the risk management process.

6.5 To ensure that this level of clarity exists, the Council has established a structure that sets out how Members, Officers and the various Committees and other stakeholders contribute to the overall risk management process.

7. All Members Duties

7.1. To consider and is appropriate, approve and regularly review the Risk Management Strategy and Policy Statement.

7.2 To consider the risk motivators and risk priorities

7.3 To consider and, if appropriate, approve the action in response to risks proposed by officers

7.4 To share collective responsibility to understand and manage the strategic risks that the Town Council faces

7.5 To ensure that all identified risks have been considered in decision making

7.6 To monitor the effectiveness of the Town Council's risk management arrangements by reviewing any risk management report to Policy & Resources Committee and Council.

7.7 To familiarise themselves with the procedures needed to manage and operate in a crisis through the Town Council's agreed Emergency Plan and Delegation Scheme.

7.8 To seek assurances that action is being taken on risk related issues identified by auditors and inspectors and request regular updates

7.9 To include consideration of risk as standard in proposing and discussing all motions to Council.

8. Town Clerk

8.1 To promote the Council's Risk Management Strategy, Policy Statement and framework.

8.2 To be responsible for managing the Council's key risks including the assessment of risks.

- 8.3 To encourage a culture of shared responsibility and open communication of risks.
- 8.4 To be the lead officer responsible for risk management and implementation of the Risk Management Strategy.
- 8.5 To be responsible for the management of strategic and operational risks that the Town Council faces and to oversee the effective mitigation of these risks by officers.
- 8.6 To ensure that risks are fully considered in all strategic decision making and that the Risk Management Strategy helps the Town Council to achieve its objectives and protection of assets.
- 8.7 Provide advice as to the legality of policy and service delivery and update the Town Council on the implications of new or revised legislation.
- 8.8 Assess and implement to Council's insurance requirements.

9. Policy and Resources Committee

- 9.1. Support the Town Clerk in all aspects of risk management.
- 9.2 Understand the strategic and operational risks that the Town Council faces.
- 9.3 Ensure that a structured and systematic approach is in place for the identification, recording and reporting of risks and opportunities.
- 9.4 Ensure that risks are fully considered in all decision making and that the Risk Management Strategy helps the Town Council to achieve its objectives and protection of assets.
- 9.5 Assist in embedding a culture of risk management through the Town Council and encourage appropriate training.

10. Responsible Finance Officer: As the Council's Section 151 Officer

- 10.1 Assess the financial implications of any initiative or decision reached by the Council.
- 10.2 Assess the financial implications of strategic policy options.
- 10.3 Advise on budgetary planning and control
- 10.4 Ensure that the Financial Information System (EdgeIT) allows effective budgetary control
- 10.5 Maintain the Council's Risk Register
- 10.6 Effectively manage the Council's investment and loan portfolio (as appropriate).

11. All Employees

- 11.1 Consider risk as part of everyday activities and provide input to the risk management process

- 11.2 Manage risk effectively in their work in accordance with the Risk Management Strategy, health and safety legislation, Policy Statement and framework and report any threats or risks identified to the Town Clerk.
- 11.3 Understand their accountability for individual risk
- 11.4 Understand how they can enable continuous improvement of risk management
- 11.5 Understand that risk management and risk awareness are a key part of the organisation's culture
- 11.6 Attend any targeted risk-related training, as requested
- 11.7 Report systematically and promptly any perceived new risk or failure of existing control measures
- 11.8 Record areas of risk which fall directly within their day to day areas of control and review in line with agreed target dates
- 11.9 Play a pro-active role in the reporting and assessing of physical risks in respect of public, staff and property.

12. Role of Internal Audit

- 12.1 To act as scrutiny, by understanding audits to provide independent assurance to Members that necessary risk management systems are in place
- 12.2 To assist with the development and review of a Risk Management Strategy, Policy Statement and framework
- 12.3 To support the Town Council in developing and implementing risk management
- 12.4 To provide independent assurance on the way risks are managed.

13. Implementing the Strategy

13.1 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:

- a. Elimination – the circumstances from which the risk arises are removed so that the risk no longer exists
- b. Reduction – loss control measures are implemented to reduce the impact/likelihood of the risk occurring
- c. Transfer – the financial impact is passed to others e.g. by revising contractual terms
- d. Sharing – the risk is shared with another party

- e. Insuring – insurance against some or all of the risk to mitigate financial impact; and
- f. Acceptance – documenting a conscious decision after assessment of areas where the Council accepts or tolerates risk.

13.2 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.

13.3 Risk Management System Risk Identification:

Identifying and understanding the hazards and risks facing the Town Council is crucial if informed decisions are to be made about policies or 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 a) the impact and b) the likelihood of risks occurring, with impact and likelihood being scored using a matrix. This will require a numeric value to be given to both the likelihood of the risk happening and the severity of the impact if it did, based upon the following aggregate scoring:

Low = 1 to 5

Medium = 6 to 11

High = 12 to 25

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.

14. Conclusion

The adoption of a sound risk management approach should achieve many benefits for the Town Council. It will assist in demonstrating that the Town Council is committed to continuous service improvement and effective corporate governance.

15. Document Information

Title:	Risk Management Policy
Status:	1 st Draft
Version:	22 January 2022
Consultation:	Policy & Resources Committee
Approved by:	
Approval Date:	
Review Frequency:	Every three years or if change occurs
Next Review:	January 2025

16. Document Control

Date	Version	Description	Sections Affected	Approved by
Jan 2022	1	1 st Draft	All	Policy & Resources Committee
June 2022	1	2 nd Draft	All	Council
				Council

Disclaimer:

A printed version may not be the current version.

A current version may be obtained in the required format from the Town Clerk's Office at Andover Town Council.

Appendices

Appendix 1

Categories of Risk

The Risks facing the organisation can be split into Strategic and Operational

<p style="text-align: center;">STRATEGIC</p> <p style="text-align: center;">Risks which may threaten the achievement of the Town Council's objectives</p>	<p style="text-align: center;">OPERATIONAL</p> <p style="text-align: center;">Risks which Members and Officers may encounter in the daily course of their work</p>
<p>Political: Failure to deliver key objectives or policies of other levels of Government</p> <p>Use of political allegiance to influence Council policies</p>	<p>Professional: Professional competencies of officers</p>
<p>Economic: The Town Council's ability to meet its financial commitments</p>	<p>Financial: Financial planning and control and the adequacy of insurance cover</p>
<p>Social: The effects in changes in demographic, residential or socio-economic trends on the Council's ability to deliver its objectives</p>	<p>Legal: Possible breaches of legislation</p>
<p>Technological: The Council's capability to deal with technological change or its ability to use technology to meet changing demands</p>	<p>Physical: Fire, security, accident prevention and health & safety</p>
<p>Legislative: Current or potential changes in national, or international law</p>	<p>Contractual: The failure of contractors (including the Councils itself) to deliver services or goods to agreed costs and specifications</p>
<p>Environmental: The environmental consequences of service delivery (in terms of energy efficiency, pollution, recycling, emissions etc.).</p>	<p>Technological: Reliance on operational equipment (IT systems or equipment and machinery)</p>
<p>Competitive: The competitiveness of the service/ability to deliver best value</p>	<p>Environmental: Pollution, noise or energy efficiency of on-going service operation</p>
<p>Customer:</p>	

Failure to recognise the changing needs and expectations of the community	
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Appendix 2

Processes

In line with best practice, the Town Council has adopted a seven-step process to support the implementation of risk management and help maintain impetus.

	Steps	
1	Identifying Risk	Risks will be identified during the service delivery planning process and cross-referenced where possible, to key tasks and to the achievement of corporate objectives.
2	Analysing Risk	Risks will be assessed against probability and impact of the identified risks using the Council's approved evaluation criteria to give a risk score
3	Profiling Risk	The evaluation exercise will result in a risk score from which significant risks can be established.
4	Prioritising action	Risks will be entered in the risk register detailing the inherent risk score, existing controls and residual risk score.
5	Determining action	Further actions required to reduce the threat of the risk occurring or minimise its impact will be stated in the risk register. Target dates and assignment of responsibility will also be stated.
6	Controlling risk	The specified actions will be carried out as stated in the risk register.
7	Monitoring	The Policy & Resources Committee will keep the risk register under review and progress against further actions identified will be monitored quarterly. The register will be updated as actions are achieved and risk scores amended as appropriate. The identification of risks should be a continual process and risks emerging throughout the year should be evaluated and, where necessary, added to the register.

Appendix 3

Risk Management Matrix

		Assessment Impact			
		Financial	Reputation	Stakeholder	Community/Customers
1	Negligible	Under £500	Minimal loss of public trust	Minimal Impact on stakeholder business arrangements	Minimal impact or disruption to community contained within a community area
2	Minor	£501 - £1000	Slight loss of trust with no lasting impact. Little adverse publicity	Minor impact on stakeholder business arrangements	Minor impact to community and community dissatisfaction. Limited service disruption
3	Moderate	£1001 - £5000	Moderate loss of trust that received significant adverse publicity locally with no lasting impact	Moderate disruption to stakeholder arrangements	Moderate impact to community and customer dissatisfaction. Moderate service disruption
4	Major	£5001 - £10,000	Significant loss of trust and receives local media attention. Potential for lasting impact	Significant disruption and opposition from stakeholders	Significant service disruption and community apposition. Treat of legal action
5	Catastrophic	Over £10,000	Significant loss of trust and received national media attention with potential for persisting impact	Major disruption to and strong opposition from stakeholders who represent vulnerable clients	Major service disruption. Significant community opposition. Legal action. Long-term public memory

Appendix 4

Assessment Impact				
		Safety	Health	Environmental
1	Negligible	First aid case, with no time lost time. Negligible safety impact	Mid health effect for short period	Minimal environmental impact
2	Minor	Minor injury (worker or third party). Medical treatment beyond first aid	Reversible health effect. Minor illness	Local impact requiring response, but from which there is a natural recovery
3	Moderate	Single major injury	Irreversible health effect, for example, loss of hearing. Serious illness from which there is full recovery	Moderate environmental impact, requiring response to aid recovery. Reportable to authorities
4	Major	Multiple major injuries which may result in permanent disabilities	Life shortening health effect. Health effect causing significant irreversible disabilities	Major environmental incident resulting in significant impact requiring management by external authorities
5	Catastrophic	Death	Death	Extreme environmental incident, resulting in irreversible long term or widespread harm

Likelihood Ranges

	Description	Guidance	Probability Range
1	Improbable	Very remote probability that the event would occur	<1%
2	Remote	Event may occur only in exceptional circumstances	1 – 10%
3	Possible	Event could occur at some time	11 – 50%
4	Probable	Event should occur at some time	51 – 90%

5	Almost Certain	Event will occur in most circumstances	>90%
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Appendix 5

Impact	5	10	15	20	25
	4	8	12	16	20
	3	6	9	12	15
	2	4	6	8	10
	1	2	3	4	5
	Likelihood				

Red Risk: Unacceptable Risk. Reduce Risk by mitigation. Transfer Risk

Amber Risk: Reduce risk by mitigation. Review regularly

Yellow Risk: Tolerate risk. Review control measures

Green Risk: Acceptable risk. Monitor risk.