



# **Risk Assessment And Management Strategy 2016-2017**

Adopted at the meeting of Faversham Town Council on 22 August 2016

## **INTRODUCTION**

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;
- An overview of the methodology to be adopted and its links with existing processes;
- 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.

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.

## **RISK MANAGEMENT**

Risk management is an essential feature of good governance, contributing 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.

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.

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 worst case scenario Government Intervention.

**Compliance Risk** - failure to comply with legislation; laid down procedures; 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.

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 (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.

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.

## **REQUIREMENTS OF A RISK MANAGEMENT STRATEGY**

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

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.

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.

A statement about the system of internal control and the management of risk will be included as part of the Annual Statement of Accounts.

## **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

## **RISK MANAGEMENT PROCESS**

Implementing the Strategy involves identifying, analysing/prioritising, managing and monitoring risks.

**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.

**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.

**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.

**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.

**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.

**Annual Reporting** – there continues 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.

**Projects and Service Changes** –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.

**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.

### **Implementation Timetable**

There should be quarterly reviews of the register and reporting on the Strategy and control assurance to Full Council.

## **ROLES AND RESPONSIBILITIES**

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.

**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.

**Town Clerk** – 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;
- 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.

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

- 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.

**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.

**Role of the Internal Auditor** – the Internal Auditor provides an important scrutiny role 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.

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.

**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.

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.

## **FUTURE MONITORING**

**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 Council.

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.

**Reporting on Progress** – The Town Clerk will present an annual report to the Town Council detailing progress on risk management over the year and providing a summary of the Risk Register and control assurance statements.

## **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.

### **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

Annex A: Financial Risk Register 2016-17

FINANCIAL RISK REGISTER 2016-2017

Area	Risk	Level	Control
Assets	Protection of physical assets	2	Asset register maintained. Assets insured, insurance reviewed annually. Significant purchases notified to insurers in-year.
Finance	Banking	1	Little or no cash handled. Majority of income paid direct to bank by BACS. Cheques paid into bank within 3 days of receipt. Loan and utilities paid by DD with prior email notification of amount.
	Risk of consequential loss of income	2	Reserves Policy to be adopted
	Loss of cash through theft or dishonesty	1	Cash seldom handled, no petty cash. Regular audit to identify anomalies; employee indemnity covered by insurers
	Financial controls and records	1	4 weekly bank reconciliation prepared by Finance Assistant Non-signatory councillor carries out internal control procedures RFO monitors budget on a monthly basis Two signatories required for cheques. Various cross-checks in accounting system to identify anomalies Internal and external audit
	Comply with Customs & Excise regulations	2	Payroll handled in-house using HMRC RTI software and sending IR & NI amounts to HMRC by due date. Other required info (year end, leavers, starters, P60 etc) completed within software package. VAT claims calculated by software – checked by RFO VAT claims comply with sector guidelines
	Sound budgeting to underline annual precept	1	Expenditure against budget reported quarterly to full Council together with financial statement. Cost of living & other adjustments made; FTC funded projects considered and draft prepared for consideration by November to derive precept for following year at January meeting.
	Complying with borrowing restrictions	1	FTC borrowed £750k to purchase 12 Market Place. PWLB repayments over 50 years (payments by DD in March & September)

Liability	Risk to third party, property or individuals	2	Insurance in place.
Employer liability	Comply with Employment Law	1	FTC is Member of KALC Clerk and Deputy Clerk are members of SLCC Both offer reference, guidance and updates Policies reviewed and updated regularly
	Comply with HMRC requirements	2	Salaries to be calculated on 16 <sup>th</sup> of each month and BACS raised Use of HMRC's own RTI software aids compliance. Includes on-line notifications. Requires data to be entered into system at correct points in time.
	Safety of staff & visitors	2	A risk assessment to be completed for both staff and visitors.
Legal Liability	Ensuring activities are within legal powers	2	Clerk clarifies legal position on any new proposal Legal advice to be sought where necessary FTC has adopted the General Power of Competence
	Proper and timely reporting via the Minutes	1	Council meets 4 weekly and receives and approves Minutes from previous meeting. Approved Minutes available on website or on request from the Clerk. Minutes of Committee meetings sent out to members.
	Proper document control	2	Paper documents kept in lockable filing cabinet & computer password protected to store data in compliance with Data Protection Act. Fol Publication Scheme & Information Guide on website with relevant documents Public domain info is available to view on website
Councillor Propriety	Register of DPI's and OSI's, and gifts and hospitality in place.	2	Register of DPI's and OSI's completed KALC and Monitoring Officer contacted for advice/clarification where required.