



## **PRUDHOE TOWN COUNCIL**

# **RISK MANAGEMENT STRATEGY**

**AGREED at the Annual Meeting on Thursday 25th May 2023**

## **1. Introduction**

1.1 This document forms Prudhoe Town Council's Risk Management Strategy. It sets out:

- What risk management is;
- Why the Town Council needs a risk management strategy;
- The Town Council's philosophy on risk management;
- The risk management process;
- Roles and responsibilities;
- Future monitoring.

1.2 The objectives of this strategy are to:

- Further develop risk management and raise its profile across the Town 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 Risk Management is**

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. The Accounts and Audit Regulations 2015 require smaller authorities each financial year to confirm that they have carried out an assessment of the risks facing the authority, taking appropriate steps to manage risks. 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 Town 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:

**Strategic Risk** – Long-term adverse impacts from poor decision-making or poor implementation. Risks damage to the reputation of the Town Council, loss of public confidence, in a worst-case scenario Government intervention.

**Compliance Risk** – Failure to comply with legislation, laid down procedures or the lack of documentation to prove compliance. Risks exposure to prosecution, judicial review, employment tribunals and the 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 Town 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.

- 2.4 These risks can be broken down further into specific areas which could impact on the achievement of the Town Council's strategic objectives and day-to-day delivery of services:

**Political** – Those associated with the failure to deliver local, regional or national policy;

**Financial** – Those affecting the ability of the Town Council to meet its financial commitments; failure of major projects; internal and external audit

requirements; failure to prioritise and allocate resources effectively; poor contract management; initiative overload;

**Social** – Those relating to the effects of changes in demographic, residential, or socio-economic trends on the Town Council's ability to deliver its strategic priorities;

**Technological** – Those associated with the capacity of the Town Council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. This includes the consequences of internal failures on the Town Council's ability to deliver its objectives;

**Legal** – The ability of the Town Council to meet legislative demands affecting breaches of legislation (UK & EU);

**Environmental** – Those relating to the environmental consequences of progressing the Town Council's 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; 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 poor public and media relations.

Not all of 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.

- 2.5 Risk is not restricted to potential threats but can be connected with 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.

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

- 3.1 Risk management will strengthen the ability of the Town 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 and service areas have an understanding of risk and that the Town 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 Strategic risk management is an important element in demonstrating continuous service improvement.
- 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.

### **4. Risk Management Policy Statement**

*Prudhoe 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 aims and objectives and to maximise the opportunities to achieve its vision.*

*The Town Council is aware that some risks can never be eliminated fully and it has in place a strategy that provides a structured, systematic and focussed approach to managing risk.*

*Risk management is an integral part of the Town Council's management processes.*

### **5. Implementing the Strategy**

#### **5.1 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 may be required to reduce the risk to an acceptable level.

Options for control include:

**Elimination** – The circumstances from which the risk arises are removed 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 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 Town Council accepts or tolerates risk.

## **5.2 Risk Register/Assessment**

The Strategic Risk Register/Assessment (Appendix A) will be regularly refined and updated as part of this Risk Management Strategy.

## **5.3 Risk Monitoring**

The risk management process does not finish with putting 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 Risk Management Plan will be reviewed at least annually by the Clerk and the Finance Committee.

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.

## **5.4 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 service 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 the impact and likelihood of risks occurring, with likelihood being scored Unlikely (1), Possible (2), Probable (3) and Highly Probable (4) and impact Minor (1), Moderate (2), Serious (3) and Major (4).

		Likelihood			
Impact		1 Unlikely	2 Possible	3 Probable	4 Highly Probable
	1 Minor				
	2 Moderate				
	3 Serious				
	4 Major				

The scores for impact and likelihood are scored as above. Risks falling in the red category will be subject to detailed consideration and preparation of a contingency/action plan to appropriately control the risk.

## 6. Roles and Responsibilities

6.1 It is important that risk management becomes embedded into the everyday culture and performance management process of the Town 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. The process must be driven from the top but must also involve staff throughout the organisation.

6.2 **Councillors** – Risk management is seen as a key part of Councillors' stewardship role and there is an expectation that Councillors will lead and monitor the approach adopted, including:

- i) Approval of the Risk Management Strategy;
- ii) Analysis of key risks in reports on major projects, ensuring that all future projects and services undertaken are adequately risk managed;
- iii) Consideration, and if appropriate, endorsement of the Annual Governance Statement; and
- iv) Assessment of risks whilst setting the budget, including any bids for resources to tackle specific issues.

6.3 **Employees** – will undertake their job within risk management guidelines ensuring that their skills, experience and knowledge are used effectively. All

employees will maintain an awareness of the impact and costs of risks and how to feed information into the formal process. They will work to control risks or threats within their roles, monitor progress and report on task related risks to their line manager or the Chief Executive.

6.4 **Clerk** – will act as the lead officer on risk management, and will be responsible for overseeing the implementation of the Risk Management Strategy. The Clerk will:

- i) Provide advice as to the legality of policy and service delivery options;
- ii) Provide advice on the implications for service areas of the Town Council's strategic aims and objectives;
- iii) Update the Town Council on the implications of new or revised legislation;
- iv) Assist in handling any litigation claims;
- v) In consultation with the Town Council's external advisors as necessary, 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;
- vi) In consultation with the Town Council's external advisors as necessary, advise on any health and safety implications of the chosen or proposed arrangements for service delivery;
- vii) Assess and implement the Town Council's insurance requirements;
- viii) Assess the financial implications of strategic policy options;
- ix) Provide advice on budgetary planning and control;
- x) Ensure that the financial information systems and processes allow effective budgetary control;
- xi) Ensure the Town Council's Risk Register is maintained;
- xii) Effectively manage the Town Council's investment and loan portfolio.

6.5 **Role of Internal Audit** – Internal Audit provides an important scrutiny role by carrying out audits to provide independent assurance to the Town Council that the necessary risk management systems are in place and all significant business risks are being managed effectively.

Internal Audit assists the Town Council in identifying both its financial and operational risks and seeks to assist the Town 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.

- 6.6 **Finance Committee** – Review and future development of the Risk Management Policy and Strategy will be overseen by the Finance and Administration Committee.
- 6.7 **Training** – The aim will be to ensure that both Staff and Councillors have the skills necessary to identify, evaluate and control the risks associated with the services they provide. Risk Management training and development will be provided through a range of methods such as workshops, literature and in-house service familiarisation.
- 6.8 In addition to the roles and responsibilities set out above, the Town Council is keen to promote an environment within which individuals and groups are encouraged to report adverse incidents promptly and openly.

## **7. Future Monitoring**

- 7.1 Review of Risk Management Strategy – This Strategy will be reviewed annually by the Finance Committee, and will be presented to the Full Council at the Annual Meeting in May.

## **8. 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.

**Date of Adoption: May 2023**

**Date of review: May 2024**