RISK MANAGEMENT STRATEGY
POLICY GP4

1. Introduction

1.1. This document forms Bicester Town Council's Risk Management Strategy (hereafter called 'the Council'). It sets out:

- Why does the Council need a risk management strategy;
- Risk management policy statement;
- The objectives of the risk strategy;
- What is risk management;
- What is the Council's philosophy on risk management;
- What is the risk management process
- Implementation timetable;
- Roles and responsibilities;
- Future monitoring

2. Why does the Council need a Risk Management Strategy?

2.1. Risk management strengthens the ability of the Council to achieve its vision and aims and enhances the value of services provided. Risk management is important to continuous service improvement and business continuity.

2.2. This Risk Management Strategy will help ensure that all Committees / service areas have an understanding of risk and that the Council adopts a uniform approach to identifying, prioritising and mitigating 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.

2.3. There is a requirement under the Accounts and Audit Regulations 2003 (SI2003/533) to establish and maintain a systematic strategy, framework and process for managing risk. Risks and their control will be collated in a Risk Register.

3. Risk Management Policy Statement

3.1. 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.

3.2. 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. The objectives of this strategy are to:

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

5. What is Risk Management?

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

6.1. 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.

6.2. 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:

6.2.1. 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, financial viability which in a worse case scenario could trigger Government intervention.

6.2.2. Compliance / Governance Risk - failure to comply with national 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.

6.2.3. Financial Risk – not fully 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 Council Tax levels/impact on Council reserves, asset deterioration.

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

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. The emphasis should always be on eliminating or reducing risk before costly 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. Proactive measures to manage risks will help improve process to ensure business continuity

7. Implementing the Strategy

7.1. 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.

7.2. Options for control include:

7.2.1. Elimination – the circumstances from which the risk arises are removed so that the risk no longer exists;

7.2.2. Reduction – measures are implemented to reduce the impact / likelihood of the risk occurring ;

7.2.3. Transfer – the risk is passed to others e.g. financial risks by revising contractual terms;

7.2.4. Sharing - the risk is shared with another party;

7.2.5. Insuring - insure against some or all of the risk to mitigate financial impact; and

7.2.6. 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. 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.

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. Risk Management System

9.1. 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 Register.

9.2. 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. LCRS (Local Council Risk System) Computer software has been procured to assist with this process.

9.3. Risk Prioritisation - An assessment should be undertaken of the impact and likelihood of risks occurring, with impact and likelihood being scored using a matrix (see below). 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 scoring:

Risk:	Likelihood:	Importance:	Overall score:	How risk will be mitigated:

9.3.1. For each risk score how likely it is to happen on a scale from 1 to 5 where: 1= very unlikely and 5 = very likely

**9.3.2.** For each risk score how important it is on a scale from 1 to 5 where: 1= not important and 5 = very important

9.3.3. Those risks with a score of 16 or more ie. 4 or 5 in both columns are the significant risks. For each of these risks say clearly in the last column (in bullet points) what will be done to minimise the risk. Risks with a score of less than 16 will continue to be regularly monitored.

10. Risk Management Process

10.1. When carrying out risk assessments the following process will be followed. The Council takes a simple four step approach to risk management.
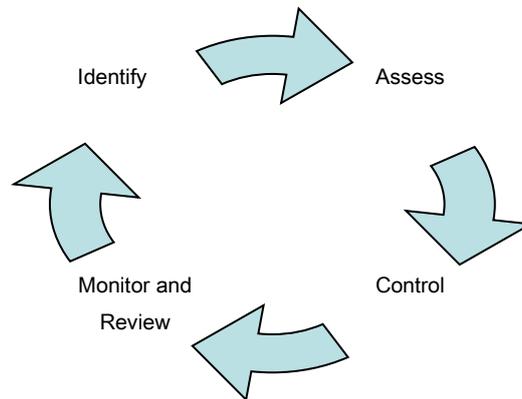
10.1.1. Identify - Risks are best identified through a collaborative approach. We are concerned with identifying the events that can impact on our vision and our business objectives. Once identified, risks will be recorded in a risk register and assigned an owner who has responsibility for ensuring that the risk is monitored and managed over time.

10.1.2. Assess - Risks have to be assessed in respect of the combination of the likelihood of something happening and the impact which arises if it does actually happen. The current position of the risks should be analysed and the risk scored using the Council's assessment criteria (Appendix 1). By multiplying the impact and likelihood scores together a significance rating for the risk is reached. By considering the significance rating of each risk identified it is possible to prioritise which risks require treatment first.

10.1.3. Control - There are four approaches to controlling risks

10.1.3.1. Terminate – Avoid the activity that gives rise to the risk or find an alternative way of doing it. This is not always practical

10.1.3.2. Treat – put procedures in place to reduce the chance of the loss happening or the frequency of the loss

10.1.3.3. Tolerate – decide to retain the risk and bear losses out of normal operating costs

10.1.3.4. Transfer – transfer the financial impact through insurance or indemnity clauses in a contract. Outsourcing services allow risks to be transferred.

11. Implementation Timetable

11.1. Risk Management Strategy and Policy Statement – presented for adoption by Policy Committee 9th September 2009 and by Council at its   meeting on 28th September 2009

11.2.   Completion of Risk Register and action plans – end September 2009.

11.3.   Risk Management Strategy to be reviewed – September 2010

12. Roles and Responsibilities

12.1.   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 located in the right place. The process must be driven from the top but must also involve staff throughout the   organisation.

12.2.   **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, including**:**

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

12.3.   **Employees** – will undertake their job within risk management guidelines ensuring that their skills and knowledge 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.

12.4.   **Chief Officer** – will act as the Lead Officer on Risk Management,   assisted by the Outdoors and Activities Manager, and be responsible for overseeing the implementation of the Risk Management Strategy. The   Chief Officer will:

   12.4.1.   provide advice as to the legality of policy and service delivery choices;

   12.4.2.   provide advice on the implications for service areas of the Council's corporate aims
      and objectives;

   12.4.3.   update the Council on the implications of new or revised legislation;

   12.4.4.   assist in handling any litigation claims;

   12.4.5.   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; and

   12.4.6.   advise on any health and safety implications of the chosen or proposed arrangements
      for service delivery.

12.5.   **Responsible Finance Officer** – as the Council's Section 151 Officer, the Chief Officer will also:

12.5.1.   assess and implement the Council's insurance requirements;

12.5.2.   assess the financial implications of strategic policy options;

12.5.3.   provide assistance and advice on budgetary planning and control;

12.5.4.   ensure that the Financial Information System allows effective budgetary control;

12.5.5.   maintain the Council's Risk Register.

12.5.6.   effectively manage the Council's loan portfolio.

12.6.   **Role of Internal Audit** – Internal Audit 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.

12.6.1.   Internal Audit 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.

12.6.2.   Internal Audit reports, and any recommendations contained within, will help to shape the Annual Governance Statement.

12.7.   **Policy Committee** – Review and future development of the Risk Management Policy and Strategy will be overseen by the Policy   Committee.

12.8.   **Training** – Risk Management training will be provided to Elected Members and staff through a variety of mediums. 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.

12.9.   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.

13. **Monitoring and Review**

13.1.   Because circumstances and business priorities continually change, risk   assessments should be viewed as a continuous process that feeds into   decision making. 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.

13.1.1. Risks should be reviewed quarterly and fully refreshed annually by the   Council.

13.1.2. This Strategy will be reviewed annually. Recommendations for change   will be reported to the Council. .

13.1.3. 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.

14. **Conclusion**

14.1. 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.