



# BODMIN TOWN COUNCIL

## RISK MANAGEMENT STRATEGY

### 1 Introduction

1.1 This document and the attached procedure notes and annexes form the Council's Risk Management Strategy. It sets out the framework on which risk management processes at Bodmin 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 maintaining 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, senior officers and other employees; and
- A summary of future monitoring and reporting lines for risk management.

### 2 What is Risk Management?

2.1 **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.'*

Institute of Risk Management (IRM) *A Risk Management Standard IRM (2002)*

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.

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 causing damage to the reputation of the Council, loss of public confidence, in a worse 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.

- 2.4 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 terminating or treating 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 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 does the Council need a Risk Management Strategy?**

- 3.1 Risk management will strengthen the ability of the 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/departments 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 termination, treating, transfer or tolerance.
- 3.3 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.
- 3.4 There is an Audit requirement under the Accounts and Audit (England) Regulations 2011 (SI 2011/817) s.4(1) to establish and maintain a systematic strategy, framework and process for 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 **What is the Risk Management Process?**

- 4.1 Implementing the Strategy involves identifying, analysing/prioritising, managing and monitoring risks.
- 4.2 **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 risks associated with these decisions can then be effectively managed. All risks identified will be recorded in the Council's Risk Register.
- 4.3 **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.

- 4.4 **Risk Prioritisation** - An assessment should be undertaken of the impact and likelihood of risks occurring, with impact and likelihood being scored Negligible (1), Low (2), Medium (3) and High (4).

		Impact			
		Negligible (1)	Low (2)	Medium (3)	High (4)
Likelihood	High (4)	7	11	14	16
	Medium (3)	4	8	12	15
	Low (2)	2	5	9	13
	Negligible (1)	1	3	6	10

The scores for impact and likelihood are scored as above. Risks scoring 11 and above will be subject to detailed consideration and preparation of a contingency/action plan to appropriately control the risk.

- 4.5 **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:

- **Tolerate** – documenting a conscious decision after assessment of areas where the Council accepts or tolerates risk.
- **Treat** – loss control measures are implemented to reduce the impact/likelihood of the risk occurring ;
- **Transfer** – the financial impact is passed to a third party or by way of insurance. This is good for mitigating financial risks or risks to assets;
- **Terminate** – the circumstances from which the risk arises are ceased so that the risk no longer exists;

- 4.6 **Risk Register** – Further details on the impact and likelihood matrix are included in annex 1. A template of the Risk Register is included in annex 2.

- 4.7 **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.

## 5 Roles and Responsibilities -

- 5.1 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. 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.

5.2 **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. 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.

5.3 **Senior Officers** will act as the risk champions for each department, assisting with identifying all risks in their departments and the compilation of the Risk Register. They will manage risk effectively in their particular service areas or projects and report how threats and risks have been managed to the Town Clerk. This includes identifying, analysing, prioritising, monitoring and reporting on service risks and any control actions taken.

Specific duties relating to individual officers are detailed in paras 5.4, 5.5, 5.6 and 5.7 below

5.4 **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, objectives and key targets;
- update Council and departments on the implications of new or revised legislation;
- assist in handling any litigation insurance 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;

- ensure that Risk Management is an integral part of any service review process;
- ensure that recommendations for risk control are detailed in service review reports;
- will assist in developing and monitoring Performance Indicators for Risk Management; and
- report progress to Council via the Finance Staffing and Performance Management Committee as detailed in para 6.3 below.

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

- work with the Town Clerk to 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.

5.6 **Project Officers and Service Managers** – service managers and project 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. Annex 3 is a FIRM risk scorecard that should be included as part of the report for larger projects.

5.7 **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.

5.8 **Role of Internal Audit** – the Internal Audit Team provides an important scrutiny role carrying out audits to provide independent assurance to the Finance Staffing and Performance Management Committee that the necessary risk management systems are in place and all significant business risks are being managed effectively.

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.

The Internal Audit Report, and any recommendations contained within it, will help to shape the Annual Statement of Internal Control.

5.9 **Risk Management Working Party** - Development of the Risk Management Strategy and compilation of the Risk Register will be overseen by a Risk Management Working Party, comprising:

- Chairman of Finance Staffing and Performance Management Committee
- Vice-Chairman of Finance and Performance Management Committee
- Chairman of Policy Committee
- Remaining Councillors – One in attendance per meeting on rota basis.
- Town Clerk
- Responsible Finance Officer

5.10 **Training** – Risk Management training will be provided to Elected Members within six months of being elected, service managers and key staff via a number of 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.

5.11 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. To assist with this aspect, the Council has developed an Anti-Fraud and Corruption Policy (adopted 21 June 2007) and a Confidential Reporting ('whistleblowing') Policy (Version 1.4 June 2018).

## 6 **Future Monitoring**

6.1 **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 the Finance Staffing and Performance Management Committee. The date of the next review will be September 2020.

6.2 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, including the Institute of Risk Management, the National Association of Local Councils, Society of Local Council Clerks, Institute of Local Council Management and Association of Accounting Technicians.

6.3 **Reporting on Progress** – Strategic and Projects Risks scoring 11 and above are reported to the relevant committee and are included as a standing item on the agenda.

## 7 **Conclusion**

7.1 The implementation 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 demonstrating effective corporate governance.

## 8 **Alternative Formats**

8.1 Equality Act 2010 – copies of this document in large print (A3 Format) or larger font size, or recorded onto tape as a 'talking book' can be made available for those with sight impairment on request from the Council Office or by telephoning 01208 76616 or e-mailing [policy@bodmin.gov.uk](mailto:policy@bodmin.gov.uk)

8.2 The Council can also arrange to provide versions in other languages for Councillors/ staff whose first language is not English.

## 9 Freedom of Information

9.1 In accordance with the Freedom of Information Act 2000, this Document will be posted on the Council's Website [www.bodmin.gov.uk](http://www.bodmin.gov.uk) and copies of this document and the Risk Register will be available for inspection on deposit in the Council Office.

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## Annex 1

Impact Matrix						
Score	Personal Safety	Failure to Meet Statutory Duties / Legal Obligations	Financial Loss	Disruption of Services	Data Protection Infringement	Reputation
1 – Negligible	Slight injury to a person/people	Litigation, claims or fines up to £5k	Up to £10k	1 day	Isolated disclosure of information/data	Contained within the Council
2 – Low	Minor injury to a person/people	Litigation, claims or fines £5k - £10k	Up to £20k	2 – 3 days	Some disclosure of information/data	Local press/public interest
3 – Medium	Major injury to a person/people	Litigation, claims or fines £10k - £50k	Up to £50k	3 – 5 days	Several disclosures of information/data	National press interest
4 – High	Death of a person/people	Litigation, claims or fines over £50k	Over £50k	5+ days	Many disclosures of information/data	Resignation of Senior Officers/Councillors

Likelihood Matrix		
Score	Definition	Likelihood of Occurrence
1 – Negligible	Rare/ occurs only in exceptional circumstances	0 – 15%
2 – Low	May occur in some circumstances	16 – 40 %
3 – Medium	Will occur in some circumstances	41 – 90%
4 - High	Almost certain to occur in most circumstances	90% +

## Annex 2

Bodmin Town Council example Risk Register:

ID	Date Identified	Category	Description	Aims & Requirement	Background	Control	Gap in Controls	Action required	Owner	Completion Date	Review	Likelihood	Impact	Risk rating

ID	Category	Meeting	Objective	Location	Risks	Aim & Requirements	Background	Control	Gap in Control	Action Required	Owner	Update – Owner	Updated Date	Review	Likelihood	Impact	Risk Rating	Last Scored	Date Identified

## Annex 3

FIRM (Financial Infrastructure Reputational Marketplace) Risk Scorecards can be used to determine the level of risk within a project that is being evaluated. A score of 0 – 5 is allocated to each component.

Score	Description of level of risk	Score	Description of level of risk
0	No risk	3	Medium risk
1	Little risk	4	High risk
2	Some risk	5	Extreme risk

Index	Financial component of FIRM Risk Scorecard	Score
1.1	Lack of budgeted funds/ available resources to fulfil strategic plans	
1.2	Insufficient costing of project leading to overspending	
1.3	Lack of adequate contingency for project	
1.4	Insufficient attention to financial regulations procedure	
1.5	Inadequate budgeting of future costs following completion of project	
<b>Total for the financial component</b>		

Index	Infrastructure component of FIRM Risk Scorecard	Score
2.1	Insufficient people resources and/ or skills available to carry out necessary work	
2.2	Product delivery, transport arrangements and/ or communications infrastructure unreliable	
2.3	Insufficient following of Health & Safety procedures by Council employees/ contractors	
<b>Total for the infrastructure component</b>		

Index	Reputational component of FIRM Risk Scorecard	Score
3.1	Poor public perception of the Council and/ or potential for damage if project is delayed/ unsuccessful	
3.2	Insufficient attention to ethics/ corporate social responsibility/ social environmental and ethical standards	
3.3	Concerns over quality of products or services and/ or after sales maintenance	
<b>Total for the reputational component</b>		

Index	Marketplace component of FIRM Risk Scorecard	Score
4.1	Marketplace requires constant monitoring as product technology is rapidly developing	
4.2	Supply chain is complex and lacks competition and/ or raw materials costs are volatile	
4.3	Council unable to fulfil contractual arrangements once project is complete	
4.4	Project inefficiently meets regulatory requirements	
<b>Total for the marketplace component</b>		