Stone Town Council

Risk Management Policy

Introduction

1. Stone Town Council recognises that it has a responsibility to manage risks, both internal and external, and is therefore committed to the implementation of a risk management strategy to protect the Council from avoidable losses.

Responsibilities

2. 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.

Definition

3. The Audit Commission (2001) defined "risk" as an event or action which will adversely affect an organisation's ability to achieve its objectives, project plans and processes and to successfully execute its strategies. Therefore "risk management" is the process by which risks are **identified**, **evaluated** and **controlled**.

4. It is good business practice that risk management processes should be supportive rather than restrictive, and should be embedded in the culture of the Council and embraced by all staff and Members.

Aims

5. The Council's aims with respect to risk management are as follows:

    a. To integrate risk management into the culture of the Council.

    b. To raise awareness of the scope of risk management including business risk, the identification of opportunities as well as threats and that the process supports innovation.

    c. To manage risk in accordance with best practice.

    d. To minimise losses, injury and damage and reduce the cost of risk.

    e. To ensure appropriate actions are taken to address identified risks.

    f. To ensure that risks are monitored and that an appropriate reporting mechanism exists to support the annual assurance statement on the effectiveness of the Councils' system of internal control.

    g. To ensure appropriate actions are taken to identify and pursue opportunities.

6. These aims will be achieved through the Council's risk management strategy which details the roles, responsibilities and actions necessary for successful implementation.

7. The co-operation of all Members and officers is essential to ensure the Council's resources and service provision are not adversely affected by uncontrolled risk, to ensure the Council does not fail to seize opportunities which benefit the community.

Relevant Legislation

8. Stone Town Council will implement its Risk Management Policy in accordance with the current legislation governing local authorities and the associated codes of practice.

Stone Town Council

Risk Management Strategy

Introduction

1. This strategy sets out the framework on which risk management processes at Stone Town Council are based. This framework ensures a consistent approach is taken across the Council and provides for an element of independent oversight by Council Officers.

Objectives

2. The objectives of this strategy are:

   a. To clearly identify roles and responsibilities for managing risk,

   b. To follow a structured framework for the identification, assessment and evaluation of risks,

   c. To ensure a corporate approach is adopted across the Council which facilitates the prioritisation of risks and avoids duplication of mitigating action,

   d. To ensure risk management principles are embedded in all systems and processes to help demonstrate openness, integrity and accountability in all the Council's activities,

   e. To ensure the risk management process contributes to the development of a more robust internal control framework, providing assurance to senior officers and Members that appropriate levels of control exist, and

   f. To provide a framework for ensuring actions are proportionate to identified risks thereby efficiently and effectively utilising resources and maintaining a balance between risks and controls.

Definitions

3. Key definitions within this strategy are:

   a. **Risk:** an event or action which will adversely affect an organisation's ability to achieve its objectives, projects, plans or processes and thus to successfully execute its strategies.

   b. **Risk Management:** the process by which risks are identified, evaluated and controlled, which includes the following approaches:

      i. **Treat the Risk** - Improve the controls to reduce the probability or impact to acceptable limits

      ii. **Transfer the Risk** - Insure against risk / outsource / design & build option for contracts

      iii. **Tolerate the Risk** - Live with it, the risk is acceptable and additional controls would not be cost-effective

iv. **Terminate the Risk** - Do not pursue the course of action, the risk is unacceptable and cannot be economically mitigated to an acceptable level

Categories of Risk

4. The risks facing the organisation can be split into two main categories:

   a. **Strategic** - Risks which may threaten the achievement of the Council's objectives, and,

   b. **Operational** - Risks which members and staff may encounter in the daily course of their work.

5. These categories can also be further analysed to identify the types of risk that would be included under each as follows:

STRATEGIC	OPERATIONAL
Political: failure to deliver key objectives or policies of other levels of Government	**Professional:** professional competences of staff
Economic: the Council's ability to meet its financial commitments	**Financial:** financial planning and control and the adequacy of insurance cover
Social: the effects in changes in demographic, residential or socio-economic trends on the Council's ability to deliver its objectives	**Legal:** possible breaches of legislation
Technological: the Council's capacity to deal with technological change or its ability to use technology to meet changing demands	**Physical:** fire, security, accident prevention and health & safety
Legislative: current or potential changes in national or European law.	**Contractual:** the failure of contractors to deliver services or goods to agreed costs and specifications

STRATEGIC	OPERATIONAL
Environmental: the environmental consequences of service delivery (in terms of energy efficiency, pollution, re-cycling, landfill needs, emissions etc.)	**Technological:** reliance on operational equipment (IT systems or equipment and machinery)
Competitive: the competitiveness of the service/ the ability to deliver best value. **Customer:** failure to recognise the changing needs and expectations of the community	**Environmental:** pollution, noise or energy efficiency of on-going service operation.

Processes

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

	Steps	Actions
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 likelihood 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 Town Clerk will keep the risk register under review and progress against actions identified will be regularly monitored. The register will be updated as actions are achieved and risk scores amended as appropriate. The identification of risks is a continual process and risks emerging throughout the year will be evaluated and, where necessary, added to the register.

Risk Management Matrix

7. The risk management matrix set out below categorises risks using colour ratings to focus the Council's attention in the right place. A red risk indicates an area where the Council should focus its attention, with that level of attention descending through amber, yellow, and through to green, where it is likely that no action could be justified.

8. Each risk is allocated a risk score by multiplying the likelihood of the identified situation occurring by the impact that its occurrence would have on the Council.

9. This assessment is undertaken twice. Firstly to assess the gross risk, which is the raw risk if no controls were in place, then secondly to assess the net risk, which is the residual level of risk after taking the existing controls into account. Only the net risk is shown in the register.

10. As identified in paragraph 3.b above, the Council will need to determine whether it wishes to treat, transfer, tolerate or terminate the risk, and the actions required, if any, to achieve that outcome.

Stone Town Council – Risk Matrix

Impact	Major	4	8	12	16
	Significant	3	6	9	12
	Serious	2	4	6	8
	Minor	1	2	3	4
		Unlikely	Possible	Likely	Almost Certain
		Likelihood			