



# MELTHAM TOWN COUNCIL

## RISK MANAGEMENT STRATEGY

### INTRODUCTION

This document forms the Council's Risk Management Strategy. It sets out:

- The Council's Risk Management Policy Statement
- What risk / risk management is;
- Why the Council needs a risk management strategy;
- The risk management process
- Roles and responsibilities;
- Future monitoring

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 POLICY STATEMENT

Meltham 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 goals and objectives and to maximise the opportunities to achieve its vision. The 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 Council's management processes.

### WHAT IS RISK / RISK MANAGEMENT?

Risk is an uncertain event or condition that, if it occurs, will influence the achievement of an authority's objectives.

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Risk management is the process whereby authorities methodically address the risks associated with what they do and the services which they provide. The focus of risk management is to identify what can go wrong and take proportionate steps to avoid this or successfully manage the consequences. Good risk management allows stakeholders to have increased confidence in the authority's corporate governance arrangements and its ability to deliver its priorities.

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 Councils work.

Risk management is also not just about financial management; it is about protecting the achievement of objectives set by the authority to deliver high quality public services. The failure to manage risks effectively can be expensive in terms of litigation and reputation and can impact on the ability to achieve desired outcomes.

Risk management is an ongoing activity that comprises four elements:

- identifying risks;
- assessing risks;
- addressing risks; and
- reviewing and reporting.

## WHY DOES THE COUNCIL NEED 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 councillors and employees 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.

Strategic risk management is also an important element in demonstrating continuous service improvement.

There is a requirement under the Accounts and Audit Regulations 2015 to have a sound system of internal control which includes effective arrangements for the management of risk...

Assertion 5 of the Annual Governance Statement is:

*"We carried out an assessment of the risks facing this smaller authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required".*

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In order to warrant a positive response to this assertion, the Council needs to have the following arrangements in place:

- Identifying and assessing risks - the authority needs to identify, assess and record risks associated with actions and decisions it has taken or considered taking during the year that could have financial or reputational consequences.
- Addressing risks - having identified, assessed and recorded the risks, the authority needs to address them by ensuring that appropriate measures are in place to mitigate and manage risk. This might include the introduction of internal controls and/or appropriate use of insurance cover.

## THE RISK MANAGEMENT PROCESS

### Identifying risks

To manage risk, an authority needs to know what risks it faces. Identifying risks is therefore the first step in the risk management process.

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 and, 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, monetary penalties e.g. fines from the Information Commissioner, judicial review, employment tribunals and the inability to enforce contracts.
- Financial Risk - fraud and corruption, waste, excess demand for services, or bad debts. Risk of additional audit investigation, objection to accounts, reduced service delivery, increased Council Tax levels or impact on Council reserves.
- Operating Risk - failure to deliver services effectively, malfunctioning equipment, hazards to service users, the public or staff, or damage to property. Risk of insurance claims, higher insurance premiums, or lengthy recovery processes.

Not all 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.

Risk is not restricted to potential threats but can relate to 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.

### Assessing risks

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Once the authority has identified its key risks, the next step is to assess the potential consequences of a risk occurring (impact) and consider how likely this is (likelihood).

The assessment of potential impact and likelihood is captured by assigning a simple numerical score (1 – 3) and multiplying the two scores to arrive at a risk assessment for each risk of high, medium or low.

The risk assessment enables the Council to decide which risks it should pay most attention to when considering what measures to take to manage them.

The Council uses a risk assessment matrix as follows:

Priority of Risk Management				
Likelihood of Occurrence	Highly Likely (score 3)	Medium (3 x 1)	High (3 x 2)	Very High (3 x 3)
	Possible (score 2)	Low (2 x 1)	Medium (2 x 2)	High (2 x 3)
	Unlikely (score 1)	Very Low (1 x 1)	Low (1 x 2)	Medium (1 x 3)
		Negligible (score 1)	Moderate (score 2)	Severe (score 3)
		Impact		

### Addressing risks

Risk is unavoidable, and every organisation needs to take action to manage risk in a way which it can justify to a level which is tolerable. The response to risk, which is initiated within the organisation, is called 'internal control' and may involve one or more of the following standard responses:

- Tolerate the risk - for risks where the downside is containable with appropriate contingency plans; for some where the possible controls cannot be justified (e.g. because they would be disproportionate); and for unavoidable risks, e.g. terrorism.
- Treat the risk - a common response which can mean imposing controls so that the organisation can continue to operate; or setting up prevention techniques.
- Transfer the risk – buying in a service from a specialist external body or taking out insurance. Some risks cannot be transferred, especially reputational risk.

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- Terminate the activity giving rise to the risk - it may be best to stop (or not to start) activities which involve intolerable risks or those where no response can bring the risk to a tolerable level.

Areas where there may be scope to use insurance to help manage risk include the following:

- The protection of physical assets owned by the authority – buildings, furniture, equipment, etc. (loss or damage).
- The risk of damage to third party property or individuals because of the authority providing services or amenities to the public (public liability).
- The risk of consequential loss of income or the need to provide essential services following critical damage, loss or non-performance by a third party (consequential loss).
- Loss of cash through theft or dishonesty (fidelity guarantee).
- Legal liability because of asset ownership (public liability)

Areas where there may be scope to work with others to help manage risk include the following:

- Security for vulnerable buildings, amenities or equipment.
- Maintenance for vulnerable buildings, amenities or equipment.
- The provision of services being carried out under agency/partnership agreements with principal authorities.
- Banking arrangements, including borrowing or lending.
- Ad hoc provision of amenities/ facilities for events to local community groups.
- Markets management.
- Vehicle or equipment lease or hire.
- Trading units (leisure centres, playing fields, burial grounds, etc.).
- Professional services (planning, architects, accountancy, design, etc.).

### Reviewing and reporting

Once the key risks have been identified and assessed they are recorded in a risk register - which is reviewed by Members not less than annually.

When new projects are undertaken, the risks will be identified and scored and added to the risk register, with appropriate controls in place.

## **ROLES AND RESPONSIBILITIES**

The authority generally and members individually are responsible for risk management.

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

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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

- 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 Governance Statement; and
- Assessment of risks whilst setting the budget, including any bids for resources to tackle specific issues.

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 the Town Clerk.

Town Clerk – will act as the Lead Officer on Risk Management and be responsible for overseeing the implementation 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 for service areas of the Councils corporate aims and objectives;
- update the 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;

Responsible Finance Officer – as the Councils Section 151 Officer the Town Clerk will:

- assess and implement the Councils insurance requirements;
- assess the financial implications of strategic policy options;
- aid and advise on budgetary planning and control;
- ensure that the Councils financial/accounting systems allows effective budgetary control;
- maintain the Councils Risk Register;
- effectively manage the Councils investment and loan portfolio.

Properties Administration and Finance Committee – Review and future development of the Risk Management Strategy and Risk Register will be overseen by the Properties Administration and Finance Committee, who will make recommendations as appropriate to Full Council.

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The Councils internal auditor will have a role in reviewing the effectiveness of control measures that the council decides to put in place. The external auditor will also consider whether the risks are adequately controlled.

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**

The Risk Management Strategy and Risk Register will be reviewed annually.