

Langport Town Council

The Council is expected to carry out an annual assessment of the financial risks it is exposed to and identify any actions it considers necessary to minimise those risks.

1. What is Risk?

Risk can be formally defined as "the chance of something happening that will have an impact on objectives" Risk is normally measured as a combination of likelihood and impact.

Risks can be a threat or an opportunity; threats will adversely affect the Town Council's ability to achieve its stated objectives whilst opportunities will enhance the Town Council's ability to achieve its stated objectives. Risks can be internal or external, short term or long term, strategic, operational or project related.

2. What is Risk Management?

Risk management is the process of identifying risks and opportunities, evaluating their potential consequences, considering the existing controls and what other proportionate action may be required or desired. Risk management is a pillar of corporate governance and should be embedded into the culture of the Town Council with Councillors and Officers recognising their shared responsibility. Effective risk management will improve strategic, operational and financial management and minimise losses through poor decision making, waste and fraud

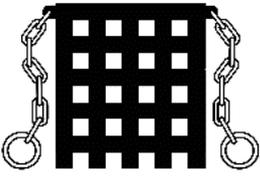
3. Risk Appetite

Risk management should manage risk to a level that the Town Council deems acceptable (the risk appetite) rather than to eliminate all risk from the Town Council's activities and service delivery. Factors such as external environments, resources, Town Council Policies and reputation will all influence the Town Council's risk appetite. Risk appetite can be defined as "the amount and type of risk that an organisation is willing to take in order to meet their strategic objectives. Organisations will have different risk appetites depending on their sector, culture and objectives. A range of appetites exist for different risks and these may change over time." (The Institute of Risk Management)

4. Risk Awareness

Risk is ever present and some amount of risk taking is inevitable in order to achieve objectives. Risk aversion can stymie initiative and prevent action so that objectives are not achieved and new projects are not undertaken resulting in a stagnant organisation.





5. The Town Council's Risk Management Objectives

- Improve project planning, decision making and resource allocation
- Enhance the Town Council's internal control arrangements
- Identify, understand and manage risks to minimise their likelihood and impact
- Identify, understand and manage opportunities to maximise their likelihood and impact
- Respond to risk and opportunities in a balanced way

6. The Town Council's Risk Management Principles

- Risk management activity will encompass strategic, operational or project related risks
- Risks will be anticipated and managed
- Creating a risk averse culture will be avoided
- The risks of not undertaking activities will be considered
- Appropriate opportunities will be exploited
- Mitigation measures should be effective, appropriate, proportional, affordable and flexible
- Controls will not be set up where the cost and effort is disproportionate to the expected benefits
- Procedures and controls will be implemented with minimum bureaucracy
- The Town council will work towards a culture of integrity and measured risk taking where mistakes are learnt from rather than blame being assigned.

