

Elton Parish Council

RISK MANAGEMENT STRATEGY

WHAT IS RISK MANAGEMENT?

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

Risk management is an essential feature of good governance. It is not simply about health and safety, but applies to all aspects of the Council's work. Risks can be classified into various types but 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, 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, increased Best Value inspection, 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, and lengthy recovery processes.

Not all of these risks are insurable and for some the premiums may not be cost effective. Even where insurance is available, a 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.

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.

Why does the Council need a Risk Management Strategy? The Accounts and Audit Regulations 2003 (SI 2003/533) require Councils to establish and maintain a systematic strategy, framework and process for managing risk. A statement regarding the system of internal control and the management of risk will be included as part of the Annual Statement of Accounts.

Risk Management Policy Statement: The Parish Council recognises that it has a responsibility to manage risks effectively in order to protect its employees, assets, liabilities and community against potential losses. However, the Council is aware that some risks can never be eliminated fully. Risk management is an integral part of the Council's management processes.

Identifying Risks: Identifying and understanding the hazards and risks facing the Council is crucial if informed decisions are to be made. The risks associated with these decisions can then be managed effectively.

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.

Risk Prioritisation: An assessment should be undertaken of the impact and likelihood of risks occurring, with impact and likelihood being scored Low (1), Medium (2) and High (3). The scores for impact and likelihood are added together. Risks scoring 4 and above will be subject to detailed consideration and preparation of a contingency/action plan to control the risk appropriately.

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. Options for control include:

- **Elimination** – the circumstances from which the risk arises are removed so that the risk no longer exists;
- **Reduction** – loss control measures are implemented to reduce the impact/likelihood of the risk occurring;
- **Transfer** – the financial impact is passed to others e.g. by revising contractual terms;
- **Sharing** - the risk is shared with another party;
- **Insuring** - insure against some or all of the risk to mitigate financial impact; and
- **Acceptance** – documenting a conscious decision after assessment of areas where the Council accepts or tolerates risk.

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.

Best Value: The Council will build risk management procedures into the way that it operates. Recommendations for risk control will be debated and agreed by the Council.

Partnership Working: Should the Council enter into partnerships with organisations from the public, private, voluntary and community sectors part of the process of setting up these partnerships will be to ensure that all relevant risks are identified and that appropriate control mechanisms are built into the management arrangements for the partnership.

Roles and Responsibilities

Members: Risk management is a key part of a Member's stewardship role and there is an expectation that Members will lead and monitor the approach adopted. This will include:

- Approval of the Risk Management Strategy;
- Analysis of key risks on any projects, ensuring that all future projects and services undertaken are adequately risk managed;
- Consideration, and 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.

Members will act as the risk champions identifying all risks and assisting the compilation of the Risk Register. They will manage risk effectively and report how threats and risks have been managed to the Parish Clerk. This includes identifying, analysing, prioritising, monitoring and reporting on service risks and any control actions taken.

The Clerk: Will be responsible for overseeing the implementation of the detail of the Risk Management Strategy and will:

- provide advice as to the legality of policy and service delivery choices;
- update the Council on the implications of new or revised legislation;
- advise on any health and safety implications of the chosen or proposed arrangements for service delivery; and
- report progress to the Council

Responsible Finance Officer: As the Council's Responsible Financial Officer the Clerk will:

- assess and implement the Council's insurance requirements;
- assess the financial implications of project options;
- provide assistance and advice on budgetary planning and control;
- maintain an awareness of the impact and costs of risks;
- work to control risks or threats within their jobs; and
- monitor progress and report on risks.

Role of the Internal Auditor: The Internal Auditor 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. He/she 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. His/her recommendations will help to shape the annual Statement of Internal Control.

Training: Risk Management training will be provided if it is deemed necessary. The aim is to ensure that Members and the Clerk have the skills necessary to identify, evaluate and control the risks associated with the services they provide and report adverse incidents promptly and openly.

Review of Risk Management Strategy – This Strategy will be reviewed annually.

Freedom of Information: In accordance with the Freedom of Information Act 2000, this document will be posted on the Council's Website and copies of it and the Risk Register will be available for inspection.

Approved by the Council on