

STAINDROP PARISH COUNCIL

Risk Management Strategy

1. Introduction

1.1 This document forms the Council's Risk Management Strategy. It identifies:

- What is risk management?
- Why does the Council need a risk management strategy?
- What is the Council's philosophy on risk management?
- What is the risk management process?
- How will risk management feed into the Council's existing policies?
- Roles and responsibilities
- Future monitoring.

1.2 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.
- Manage risk in accordance with best practice.

2. What is Risk Management?

2.1 *"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).

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 damage to the reputation of the Council, loss of public confidence, in a worst 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, 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.
- 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 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.
- 3.3. There is a requirement under the relevant Accounts and Audit (England) Regulations 2011 (SI 2011/817) to establish and maintain a systematic strategy, framework and process for managing risk and putting in place adequate internal controls.

4. What is the Council's Philosophy on Risk Management?

4.1. Risk Management Policy Statement

Staindrop 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 and to minimise uncertainty in achieving its goals.

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 Councils management processes.

5. What is the Risk Management Process?

5.1. Implementing the Strategy

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.

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.

5.2. 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:

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.

Acceptance — documenting a conscious decision after assessment of areas where the Council accepts or tolerates risk.

5.3. 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.

6. Roles and Responsibilities

6.1. 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.

6.2. **Members** — Risk management is seen as a key part of the Members 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 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 Review of Internal Control.
- Assessment of risks whilst setting the precept, including any bids for resources to tackle specific issues.

6.3. **Parish Clerk** — will be responsible for overseeing the implementation of the detail of the Risk Management Strategy. The Parish Clerk will:

- provide advice as to the legality of policy and service delivery choices;
- update the Council and sections on the implications of new or revised legislation;
- assist in handling any litigation claims;
- advise on any health and safety implications of the chosen or proposed arrangements for service delivery

6.4. **Responsible Finance Officer**— as RFO the Parish Clerk will also:

- advise on the Councils 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.
- 6.5. **Role of Internal Audit** — Internal Audit provides an important scrutiny role by carrying out audits to provide independent assurance 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.
- 6.6. **Training**— Risk Management training to be provided to Members, and Officers. The aim will be to ensure that both Members and officers have the skills necessary to identify, evaluate and control the risks associated with the services they provide.

7. Future Monitoring

- 7.1. **Review of Risk Management Strategy** - This Strategy will be reviewed annually.

8. Risk Assessment

- 8.1. A risk assessment is provided at Appendix 1.

9. CONCLUSION

The adoption 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 effective corporate governance. The latest risk assessment includes provision for risk linked to (a) compliance with the Transparency Regulations and (b) the General Data Protection Regulations. The Council is **RECOMMENDED** to agree and adopt the strategy.

Appendix 1: STAINDROP PARISH COUNCIL RISK ASSESSMENT

Financial and management				
Subject	Risk(s) Identified	H M L	Management/Control of Risk	Review/Assess/Revise
Precept	Adequacy of precept	L	At the Finance Committee meetings information is provided on existing receipts and payments position, together with projected outturn position at year end. The Committee makes a recommendation to full Council based on this information.	Existing procedure adequate.
	Adequacy of reserves	L	At Finance Committee meetings details are reported of general reserves and committed reserves.	Existing procedure adequate.
	Receipt of precept	L	Received in one instalment (together with LCTSS Grant). Receipt of income reported to Council.	Existing procedure adequate.
Financial Records	Adequacy of Records	L	Standing Orders and Financial Regulations set out arrangements for accounts, financial transactions etc. Internal Auditor inspects records.	Review annually.
Banking	Banking	L	The Council has agreed that cheques must be signed by two designated signatories. Income is banked as soon as possible after receipt. Bank statements are checked regularly for accuracy.	Existing procedures adequate.
Cash	Loss through theft or dishonesty	L	Fidelity Guarantee insurance held.	Review insurance cover annually.
Reporting and auditing	Information/communication	L	At each meeting details of income and expenditure are reported to Council.	Existing procedure adequate
Financial Assistance	Power to pay	L	Authority to pay is recorded in Council Minutes, either via specific minutes or under details of expenditure.	Existing procedure adequate.
Salaries and associated costs	Incorrect payment	L	The Council authorises the appointment of all employees at a recognised salary rate. Salary calculations are undertaken by an external consultancy. Payments are checked by the Internal Auditor.	Existing appointment and payment system is adequate.
Members Allowances	Incorrect payment	L	Recognised rates applied. Payments are checked by the Internal Auditor.	Existing procedure is adequate.

Illness, Injury or absence of Clerk	Failure to be able to conduct the Council's business	M/H	A register of locum Clerks has been set up by CDALC to provide support where the Clerk is absent due to illness, etc. Contact details for/to Clerk's family etc. provided.	New system should adequately cover risk
Election Cost	Risk of Election cost	L/M	Risk higher in election year. Estimated election costs for contested/uncontested election to be obtained when an election is due. There are no measures which can be taken to minimise the risk of having a contested election as this is part of the democratic process. Council puts a sum aside each year in budget for election costs	Existing procedure is adequate.
VAT	Reclaiming of VAT	L	VAT is reclaimed, the minimum period for a claim being eighteen months. Repayments are reported as income to Council. Internal Auditor checks VAT claims.	Existing procedure is adequate.
Conduct of Council Business	Minutes, Agendas, Notices, correspondence, website.	L	Processes for the holding of Council meetings and preparation of agendas and minutes are in accordance with the legal requirements and Standing Orders revised in 2016-17.	Existing procedures are adequate.
		M	That meetings of the Council are quorate so as to ensure that timely decisions are made.	Clerk to monitor apologies for absence in run up to meetings and to liaise with Chairman/members to ensure quorum.
		M	To ensure that councillors are recruited and retained to allow continuity and prevent inquorate meetings.	In the event a quorum cannot be achieved, an extraordinary meeting to be called at the earliest opportunity to ensure that decisions can be taken. Ensure proper advertising of vacancies when they arise and training for new councillors if appropriate.
	Conformity with Transparency Regulations	L/M	Parish Council has a website which is maintained and contains information necessary in relation to Transparency etc. Regulations.	Website under SLA with Durham County Council. Data regularly inputted and updated by Clerk.
	Compliance with General Data Protection Regulations from	M	To ensure protection of relevant data relating to private individuals.	Parish Council already registered as data processor with ICO. Data Protection Officer support services to be bought in.

	25 th May 2018			NALC to provide a toolkit. Review of data to be undertaken.
Members Interests	Conflict of Interest	L	Appropriate interests to be declared at meetings.	Existing procedure is adequate.
	Register of Interests	M	To be reviewed/updated as changes occur.	Responsibility of individual Members to advise Clerk of any changes that require updating of register.
Insurance	Adequacy Cost Compliance Fidelity guarantee	L	Annual review of needs when renewing insurance policy and at other times as circumstances dictate. Employers and Employee liability insurance is a statutory requirement.	Existing procedure is adequate. Review insurance provision annually.
Physical Equipment or Areas				
Assets	Loss or damage. Damage to third party property or individuals.	L	Assets to be reviewed annually	Annually review assets register, insurance and maintenance provision.
		M	Challenges to the Council in relation to public liability	Ensure insurance cover levels are sufficient annually and appropriate maintenance regimes in place.