

UTTERBY PARISH COUNCIL

RISK MANAGEMENT STRATEGY

Reviewed and approved at the Parish Council meeting 6th March 2024

1 Introduction

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

- 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
- Implementation timetable;
- 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; and
- 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: 5)

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 worse case scenario Government intervention.

Compliance Risk - failure to comply with legislation, laid down procedures or the lack of documentation to prove compliance. Risks expose to prosecution, judicial review, employment tribunals and the 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 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.

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 all members of the Council 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.

3.3 Strategic risk management is also an integral part of the Best Value process and as such is an important element in demonstrating continuous service improvement.

3.4 There is a requirement under the Accounts and Audit Regulations 2003 (SI2003/533) to establish and maintain a systematic strategy, framework and process for managing risk. Risks and their control will be collated in a Risk Assessment.

4. Risk Management Policy Statement

The Parish Council recognises that it has a responsibility to manage risks effectively in order to protect its assets and the community against potential losses and to minimise uncertainty in achieving its goals and objectives.

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.

5. Implementing the Strategy

Risk Identification – 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 effectively managed. All risks identified will be recorded in the Council’s Risk Register.

Risk Analysis – Once risks have been identified they need to be systematically and accurately assessed. 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 using a 4x4 matrix. Action will be taken to address any risks with a residual risk greater than 8 or where risk impact is judged to be catastrophic. Residual risks of between 4 and 8 will be subject to monitoring and action will be taken to reduce residual risk in all cases towards the tolerance level [4] as resources permit.

5.1 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.

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.

5.2 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 How will Risk Management feed into the Council’s existing policies?

6.1 **The initial identification of Risks** - will be achieved by the Clerk compiling a list of the risks, which will be integrated into a corporate Risk Assessment.

6.2 **Best Value** – The Council will build risk management procedures into the way that it operates as part of a commitment to quality and continuous service improvement.

6.3 **Council led initiatives** – projects or services will include risk identification and the measures to eliminate or control risks will be documented.

7. Implementation Timetable

Risk Management Strategy and Risk Assessments – Annual Review takes place every year.

8 Roles and Responsibilities

8.1 It is important that risk management becomes embedded into the every day 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.

8.2 **Parish Councillors** – risk management is seen as a key part of the Member's stewardship role and there is an expectation that they will lead and monitor the approach adopted, including

- (a) Approval of the Risk Management Strategy;
- (b) Analysis of key risks in Council led initiatives, ensuring that all future projects and services undertaken are adequately risk managed;
- (c) Assessment of risks whilst setting the budget, including any bids for resources to tackle specific issues.

8.3 **Parish Clerk** – will act as the Lead Officer on Risk Management and be responsible for overseeing the implementation of the Risk Management Strategy and for the establishment and regular review of the Risk Assessment. The Parish Clerk will also:

- (a) provide advice as to the legality of policy and service delivery choices;
- (b) update the Council on the implications of new or revised legislation;
- (c) advise on any health and safety implications of Council led initiatives;

8.4 **Responsible Finance Officer** – as the Council's Section 151 Officer the Parish Clerk will also:

- (a) assess and implement the Council's insurance requirements;
- (b) assess the financial implications of Council led initiatives;
- (c) provide assistance and advice on budgetary planning and control;
- (d) ensure that the Financial Information System allows effective budgetary control.

8.5 Role of Internal Audit – Internal Audit 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.

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.

9 Future Monitoring

9.1 Review of Risk Management Strategy - This Strategy will be reviewed on an annual basis as part of the Council's continuing review of its policy documents, Standing Orders and Financial Regulations. Recommendations for change will be reported to the Council.

9.2 The Risk Assessment Document will be regularly reviewed and updated. New risks will emerge and need to be controlled. Annual review of the Risk Register is in place.

10 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.