

STRATTON ST MARGARET PARISH COUNCIL

RISK MANAGEMENT STRATEGY

1 Introduction

- 1.1 This document forms the Council's Risk Management Strategy. It sets out:
- What is meant by risk management;
 - Why the Council needs a risk management strategy;
 - The philosophy of the Council's risk management
 - An overview of the methodology to be adopted and its links with existing processes;
 - A summary of the implementation timetable;
 - An outline of the associated roles of Elected Members, senior officers and other employees; and
 - A summary of future monitoring and reporting lines for risk management.
- 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, 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, 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, money 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 all Committees and departments across 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 Value for Money process and as such is an important element in demonstrating continuous service improvement.

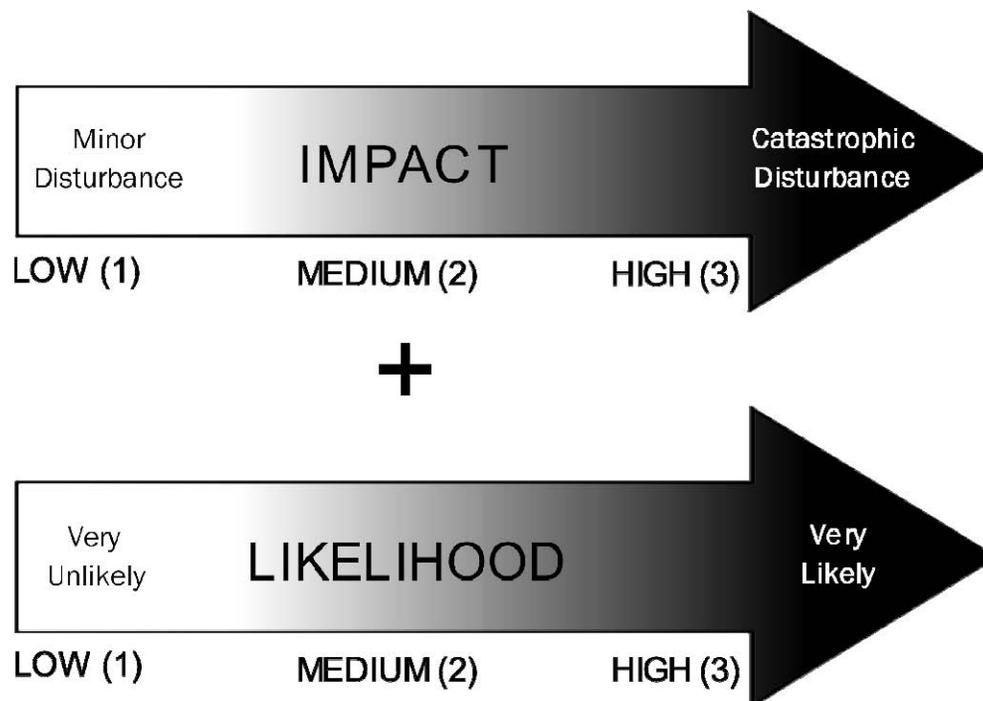
3.4 There is an Audit requirement under the Accounts and Audit Regulations 2003 (SI 2003/533) to establish and maintain a systematic strategy, framework and process for managing risk. Risks and their control will be collated in a Risk Register. A statement about the system of internal control and the management of risk will be included as part of the Annual Statement of Accounts and summarised in the Council's Best Value Performance Plan.

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

4.1 **Risk Management Policy Statement** – Stratton St Margaret Parish Council recognises that, in addition to its statutory duties, there are cogent moral and economic reasons to take all practicable and reasonable measures to safeguard people and the natural and built environments.

Whilst it is acknowledged that risk cannot be totally eliminated it is accepted that much can be done to reduce the extent of injury, damage and financial loss. Therefore, Stratton St Margaret Parish Council is committed to identifying, reducing or eliminating the risks to both people and the natural and built environments.

The Council will carry insurance in such amounts and in respect of such perils as will provide protection against significant losses, where insurance is required by law or contract and in other circumstances where risks are insurable and premiums cost-effective.



The Council will seek to embed effective risk management into its culture, processes and structure to ensure that opportunities are maximised. The Council will seek to encourage managers to identify, assess and manage risks, and learn to accept the right risks.

5 What is the Risk Management Process?

- 5.1 Implementing the Strategy involves identifying, analysing, prioritising, managing and monitoring risks.
- 5.2 **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. All risks identified will be recorded in the Council's Risk Register.
- 5.3 **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 it or respond to it.
- 5.4 **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 appropriately control the risk.
- 5.5 **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 ceased 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 with another party;
- **Insuring** 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.

- 5.6 **Risk Register** – Further details of the process outlined in paras 5.1 – 5.5 above are included in the Council’s Risk Register
- 5.7 **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 it feed into the Council’s existing policies?

- 6.1 Initial Identification of Risks will be by service managers compiling a list of the risks in their service area(s). This will be followed up by a workshop on Risk Management for Elected Members and key officers. This workshop will be facilitated by South and West Internal Audit
- 6.2 **Best Value** – The requirements of Value for Money mean that risk management is now more important than ever, as Value for Money presents a significant opportunity for the Council to reassess its objectives and the threats to achieving these objectives. The Council will build risk management procedures into the way that it operates as part of a commitment to quality and continuous service improvement. As part of the review process, the Audit & Governance Sub-Committee will assess the strategic and operational risks associated with the service under review. Recommendations for risk control will be built into the Service Review Reports.
- 6.3 **Projects and Service Changes** – Service managers and project officers developing projects or recommending service changes will ensure that risks are identified and the measures to eliminate or control risks are documented in agenda reports/briefing papers to be considered by Council and committees.
- 6.4 **Partnership Working** – The Council is entering into an increasing number of partnerships with organisations from the public, private, voluntary and community sectors. Some of these organisations may not have the same sensitivities to the risks that the Council sees as important. Part of the process of setting up future 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.

7 Implementation Timetable

The revised Risk Management Strategy was adopted by Council on 25th January 2011. Prior to that a Risk Register was developed during 2009/10. Since that time there has been ongoing review of the register and reporting on the Strategy and control assurance to Council on an annual basis.

8 Roles and Responsibilities

8.1 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 right across the Council and its operations, and responsibility for risk is located in the right place. Those who best know the risks to a particular service are those responsible for it. The process must be driven from the top but must also involve staff throughout the organisation.

8.2 **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, in a similar way to the implementation of Value for Money. 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 Statement of Internal Control; and
- Assessment of risks whilst setting the budget, including any bids for resources to tackle specific issues.

8.3 **Senior Officers** will act as the risk champions for each department, assisting with identifying all risks in their departments and the compilation of the Risk Register. They will manage risk effectively in their particular service areas or projects and report how threats and risks have been managed to the Clerk to the Council. This includes identifying, analysing, prioritising, monitoring and reporting on service risks and any control actions taken.

Specific duties relating to individual officers are detailed in paras 8.4, 8.5, 8.6 and 8.7 below

8.4 **Clerk to the Council** – Will act as the Lead Officer on Risk Management, overseeing the implementation of the detail of the Risk Management Strategy.

The Clerk to the Council will:

- Provide advice as to the legality of policy and service delivery choices;
- Provide advice on the implications of potential service actions for the Council's corporate aims, objectives and Value for Money targets;
- Update Council and departments 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 | consultation with Ellis Whittam; and
- Report progress to Council via the Finance Committee as detailed in para 9.3 below.

8.5 Responsible Finance Officer (currently this is the Clerk to the Council) –
As the Council's Section 151 Officer, will:

- Assess and implement the Council's 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; and
- Inform investment decisions made by the Council.

8.6 Deputy Clerk will:

- Ensure that Risk Management is an integral part of any service review process;
- Ensure that recommendations for risk control are detailed in service review reports; and
- Will assist in developing and monitoring Performance Indicators for Risk Management.

8.7 Senior Operations Manager, Duty Managers and Head Groundsman – as
6.3 above

8.8 Employees – Will undertake their job within risk management guidelines ensuring that the skills and knowledge passed to them 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 their line manager.

- 8.9 **Role of Internal Audit** – the Internal Audit Team provides an important scrutiny role carrying out audits to provide independent assurance to the Finance Staffing and General Purposes Committee 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.

The Internal Audit Report, and any recommendations contained within it, will help to shape the Annual Statement of Internal Control.

- 8.10 **Risk Management Development** – Development of the Risk Management Strategy and compilation of the Risk Register will be overseen by the Audit & Governance Sub-Committee, comprising:

- Chair of Council
- Chair of the Finance Committee
- Vice-Chair of the Finance Committee
- Two members of the Finance Committee
- Clerk to the Council (or Deputy Clerk in the absence of the Clerk to the Council)
- Responsible Finance Officer

- 8.11 **Training** – Risk Management training will be provided to Elected Members, senior officers and key staff via a number of facilitated workshops. The aim will be to ensure that both Elected Members and staff have the skills necessary to identify, evaluate and control the risks associated with the services they provide.

- 8.12 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. To assist with this aspect, the Council has developed an Anti-Fraud and Corruption Policy (revised 30th November 2010) and a Confidential Reporting ('whistleblowing') Policy (revised 20th July 2010 and contained within the Staff Handbook).

9 Future Monitoring

- 9.1 **Review of Risk Management Strategy** -This Strategy will be reviewed on a regular 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 Finance Committee. The date of the next review will be December 2011.

- 9.2 Once the initial work to establish a Risk Register has been completed, it is crucial that the information is regularly reviewed and updated. New risks will emerge and need to be controlled. Feedback from Internal and External Audit can identify areas for improvement, as can the sharing of best practice via professional bodies, the National Association of Local Councils and fora such as the Best Value e-group and RuralNet.
- 9.3 **Reporting on Progress** – The Town Clerk will present an annual report to the Finance Staffing and Performance Management Committee detailing progress on risk management over the year and providing a summary of the Risk Register and control assurance statements.

10 Conclusion

- 10.1 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 demonstrating effective corporate governance.

11. Alternative Formats

- 11.1 Disability Discrimination Act 1995 – copies of this document in large print (A3 Format) or larger font size, or recorded onto tape as a ‘talking book’ can be made available for those with sight impairment on request from the Council Office or by telephoning 01208 74159 or e-mailing clerk@strattonstmargaret.gov.uk
- 11.2 The Council can also arrange to provide versions in other languages.

12. Freedom of Information

- 12.1 In accordance with the Freedom of Information Act 2000, this Document will be posted on the Council’s Website www.strattonstmargaret.gov.uk and copies of this document and the Risk Register will be available for inspection on deposit in the Council Office