



WEST RAINTON & LEAMSIDE PARISH COUNCIL

Risk Management Strategy

1. Introduction

1.1 This document forms the Risk Management Strategy for West Rainton & Leamside Parish Council (the Council). This document 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. Potential risk of damage to the reputation of the Council, loss of public confidence and, 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. Potential risk of exposure to prosecution, judicial review, employment tribunals or inability to enforce contracts.

Financial Risk — fraud and corruption, waste, excess demand for services, bad debts. Potential risk of additional audit investigation, objection to accounts, reduced service delivery, dramatically increased Council Tax levels and possible impact on Council reserves.

Operating Risk — failure to deliver services effectively, malfunctioning equipment, hazards to service users, the general public or staff or damage to property. Potential risk of insurance claims, higher insurance premiums and 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**

The 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 Council's 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 requires the identification and implementation of revised operating procedures, but in exceptional cases more drastic action may 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 deliver.
- Prepare an annual risk assessment for consideration and approval by the Council.

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 the Internal Auditor** — 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.
- 7. 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.
- 8. Future Monitoring**
- 8.1. **Review of Risk Management Strategy** - This Strategy will be reviewed annually
- 8.2. **Risk Assessment to be reviewed every six months**

| Last Review date: 135/3/20254