



## RISK MANAGEMENT STRATEGY

### 1. Introduction

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

- What risk management is;
- Why the Parish Council needs a risk management strategy;
- The Parish Council's philosophy on risk management;
- The risk management process;
- Roles and responsibilities;
- Future monitoring.

1.2 The objectives of this strategy are to:

- 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 Risk Management is

2.1 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 Parish Council's work.

2.2 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. It could cause damage to the reputation of the Parish Council or loss of public confidence.

**Compliance Risk** — Failure to comply with legislation, laid down procedures or the lack of documentation to prove compliance. It could cause exposure to prosecution, judicial review, employment tribunals and the inability to enforce contracts.

**Financial Risk** — Fraud and corruption, waste, excess demand for services, bad debts.

It could cause additional audit investigation, and/or increased Council Tax levels/impact on Parish Council reserves.

**Operating Risk** — Failure to deliver services effectively. It could cause higher insurance claims and/or higher insurance premiums.

- 2.3 These risks can be broken down further into specific areas which could impact on the achievement of the SPC's strategic objectives and day-to-day delivery of services: such as Political, Financial, Social, Technological, Legal, Environmental, Partnership/Contractual, Human Resources, Organisational, Health & Safety/Physical

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 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.

- 2.4 Risk is not restricted to potential threats but can also be associated with missed 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 SPC Council needs a Risk Management Strategy**

- 3.1 Risk management will strengthen the ability of SPC to achieve its objectives and enhance the value of services provided.
- 3.2 The Risk Management Strategy will help to ensure that the Council has an understanding of risk and that SPC 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 an important element in demonstrating continuous service improvement.
- 3.4 There is a requirement under the Accounts and Audit Regulations 2015 to establish and maintain a systematic strategy, framework and process for managing risk.

### **4. Risk Management Policy Statement**

*Stockbridge 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, to minimise uncertainty in achieving its aims and objectives and to*

*maximise the opportunities to achieve its vision.*

*The SPC is aware that some risks can never be eliminated fully and has in place a strategy that provides a structured, systematic and focussed approach to managing risk.*

*Risk management is an integral part of the SPC's management processes.*

## **5. Implementing the Strategy**

### **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. 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; and

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

### **5.2 Risk Register**

The Strategic Risk Register will be regularly refined and updated as part of this Risk Management Strategy.

### **5.3 Risk Monitoring**

The risk management process does not finish with putting 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 Risk Management Plan will be reviewed at least annually by the Council.

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.

## 5.4 Risk Management System

**Risk Identification** — Identifying and understanding the risks facing the SPC is crucial if informed decisions are to be made. The risks can then be managed effectively.

**Risk Analysis** — Once risks have been identified they will need to be assessed, taking into account their frequency and consequences. If a risk is seen to be unacceptable, steps will 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 Negligible (1), Low (2), Medium (3) and High (4).

		Impact			
		Negligible (1)	Low (2)	Medium (3)	High (4)
Likelihood	High (4)	4	8	12	16
	Medium (3)	3	6	9	12
	Low (2)	2	4	6	8
	Negligible (1)	1	2	3	4

The scores for impact and likelihood are scored as above. Risks scoring 12 and above will be subject to detailed consideration and preparation of a contingency/action plan to appropriately control the risk.

## 6. Roles and Responsibilities

6.1 It is important that risk management becomes embedded into the everyday culture and performance management process of SPC. The roles and responsibilities set out below, are designed to ensure that risk is managed effectively.

6.2 **Councillors** — Risk management is seen as a key part of Councillors' stewardship role and there is an expectation that Councillors will lead and monitor the approach adopted, including:

- i) Approval of the Risk Management Strategy;
- ii) Analysis of key risks in reports on major projects, ensuring that all future projects and services undertaken are adequately risk managed;
- iii) Consideration, and if appropriate, endorsement of the Annual Governance Statement; and
- iv) Assessment of risks whilst setting the budget, including any bids for resources to tackle specific issues.

6.3 **Clerk** — will undertake the job within risk management guidelines ensuring that skills, experience and knowledge are used effectively.

- 6.4** The Clerk will:
- a. Provide advice as to the legality of policy and service delivery options;
  - b. Update SPC on the implications of new or revised legislation;
  - c. Assist in handling any litigation claims;
  - d. In consultation with the SPC's external advisors as necessary, advise on any health and safety implications of the chosen or proposed arrangements for service delivery;
  - e. Assess and implement the SPC's insurance requirements;
  - f. Assess the financial implications of strategic policy options;
  - g. Provide advice on budgetary planning and control;
  - h. Ensure that the financial information systems and processes allow effective budgetary control;
  - i. Ensure the Parish Council's Risk Register is maintained;

- 6.5** **Role of Internal Audit** — Internal Audit provides an important scrutiny role by carrying out audits to provide independent assurance to SPC that the necessary risk management systems are in place and all significant risks are being managed effectively.

Internal Audit assists SPC in identifying both its financial and operational risks and seeks to assist the SPC 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. Internal Audit reports, and any recommendations contained within, will help to shape the Annual Governance Statement.

- 6.6** **Training** — The aim will be to ensure that both Staff and Councillors have the skills necessary to identify, evaluate and control the risks associated with the services they provide.

- 6.7** In addition to the roles and responsibilities set out above, the SPC is keen to promote an environment within which individuals and groups are encouraged to report adverse incidents promptly and openly.

**7. Future Monitoring**

This Strategy will be reviewed annually by the Council.