



# **Dartmoor Forest Parish Council**

## **Governance**

### **Risk Management Strategy**

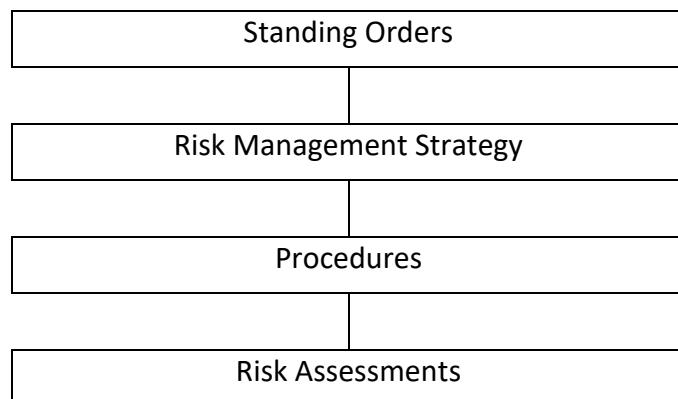
## Record of Amendments and Reviews

<u>Version</u>	<u>Comment</u>	<u>Date of Adoption</u>
Draft 1	New Document	15 March 2021
1	New Document	23 March 2021
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## Document Hierarchy

In the event of any discrepancy between Dartmoor Forest Parish Council Codes, Regulations, Policies, Strategies, Procedures and other documentation, the version contained in the higher level document detailed below will apply, unless changed by a resolution of the council.



# Risk Management Strategy

## Introduction

- 1.1. The Accounts and Audit Regulations 2003<sup>1</sup> require the council to establish and maintain a systematic strategy, framework and process for managing risk; and record risks and control measures in a register.
- 1.2 This is to enable the council to manage its risks effectively to the benefit of its employees, assets, liabilities and community by:
  - a. Protecting against financial losses.
  - b. Minimising uncertainty in achieving its objectives, whether in scope or timeliness.
  - c. Maximising of the opportunities to achieve its vision.
- 1.3 This document forms the council's Risk Management Strategy and is one of the council's four key Governance documents. It sets out:
  - a. Definitions of risk and risk management.
  - b. The risk management process used.
  - c. Roles and Responsibilities.

## Risk

- 2.1 The Audit Commission<sup>2</sup> defines risk as:

*'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, standard of conduct and service delivery arrangements.'*

- 2.2 Risks can be classified into various types but 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:
  - a. **Strategic Risk.** Long-term adverse impacts from poor decision-making or poor implementation. Consequences can include: damage to the reputation of the Council; loss of public confidence; or in a worst-case scenario, direct intervention by West Devon Borough Council or higher authorities.
  - b. **Compliance Risk.** Failure to comply with legislation or laid down procedures or the lack of documentation to prove compliance. Consequences include: exposure to prosecution; judicial review; employment tribunals; and inability to enforce contracts.
  - c. **Financial Risk.** Fraud and corruption, waste, excess demand for services, bad debts. Consequences can include: additional audit investigation; objection to accounts; reduced service delivery; dramatically increased Precept levels; and impact on council reserves.
  - d. **Operating Risk.** Failure to deliver services effectively, malfunctioning equipment, hazards to service users, the general public or staff, damage to property. Consequences can include: insurance claims; higher insurance premiums; lengthy recover processes.

## Standing Risks

- 3.1 Standing Risks are those that are inherent in the nature of Local Councils and have been mitigated by statutory requirements developed by successive UK Governments over generations. These statutory requirements are embedded in the council's Governance documents. Standing Risks do not need to be considered further under this strategy.

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<sup>1</sup> The Accounts and Audit Regulations 2003 (SI 2003/533)

<sup>2</sup> Worth the Risk: Improving Risk Management in Local Government (2001:5)

## Risk Management

- 4.1 Risk management is an essential feature of good governance for the council. By effectively managing risk to all aspects of the council's work, the council is more likely to achieve its objectives and enhance the value of services it provides.
- 4.2 Risk management can be seen as a bureaucratic exercise that runs alongside council management. It is not. It is essential that risk management is embodied in the council's culture and is integral to all decisions. As far as practicable, the council will keep bureaucracy to a minimum consistent with effective risk management and records.
- 4.3 This Risk Management Strategy will help ensure the council and all committees, sub-committees and sub-groups have a consistent understanding of risk and that the council adopts a uniform approach to identifying and prioritising risks. In turn, this will lead to conscious choices of the most appropriate method of dealing with each risk, be it:
  - a. **Elimination.** The circumstances from which the risk arises are removed, so the risk no longer exists.
  - b. **Reduction.** Mitigation measures are implemented to reduce the probability or consequences of the risk occurring
  - c. **Transfer.** The impact of the risk is partially or completely transferred to another person or organisation; usually, but not exclusively, by revising contractual terms or by taking out a financial insurance policy.
  - d. **Acceptance.** The council makes a conscious decision that it owns the risk; usually if the cost of implementing the above measures is too great.
- 4.4 The emphasis should always be on eliminating or reducing risk before steps to transfer or accept risk are considered.

## The Risk Management Process

- 5.1 **Risk Identification.** The council must identify and understand the hazards and risks facing it to ensure informed decisions are to be made about policies and service delivery methods. Risks may be raised by members, employees, partners or members of the public. All risks identified will be recorded in the council's Risk Register, see Annex A. For more complex risks, a Risk Assessment Sheet may be required.
- 5.2 **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.
  - a. **Risk Prioritisation.** An assessment of the probability of risks occurring and the subsequent consequences must be made. Where sufficient data is available this may be done numerically. In other cases, a deterministic assessment is acceptable.
  - b. **Risk Scoring.** Probabilities and consequences should each be assigned a score of Low (1), Medium (2) or High (3). If the product of the probability and consequence are 3 or above, the risk must be subject to detailed consideration for risk reduction measures. Risks with scores of 2 or below may also be mitigated if the appropriate measures are low cost and simple.
- 5.3 **Risk Mitigation.** Once risks have been scored, they must be assessed for actions to minimise the probability of the risk event occurring and reducing the severity of the consequences. The cost and effort (not merely financial cost) of these mitigations must then be considered against the potential impact of the risk before deciding how the risk is to be dealt with: eliminated, reduced, transferred or accepted.
- 5.4 **Risk Review.** The effectiveness of selected risk reduction actions in mitigating the risk must be monitored and reviewed. Additionally, it is important to assess whether the nature of any risk has changed over time. The council will conduct periodic reviews of the risks and their control. This

timing of these reviews will be appropriate to the individual risks and recorded in the risk register, but will not be less frequent than annually.

## **Roles and Responsibilities**

- 6.1 All members and employees of the council have a responsibility to ensure effective risk management is endemic throughout council activities.
- 6.2 **Parish Clerk.** The Clerk is responsible for the provision of policy and operational advice to the council on risk management. The Clerk will maintain the Risk Register and ensure risk reviews are included on agendas as appropriate for council, committee, sub-committee and sub-group meetings.
- 6.3 **Councillors.** Elected and co-opted members are responsible for the council's collective decisions on how risks are to be dealt with and documented. Councillors must ensure effective risk management is integral to all decisions involving financial transactions, budget setting, contract letting, projects and service delivery. This must have particular emphasis when initiating projects or service delivery changes. Individual expertise among councillors must be utilised fully, irrespective of their position on the council, committees, sub-committees or sub-groups.
- 6.4 **Council Partners.** From time-to-time the council may invite members of the public or representatives of other organisations to join committees, sub-committees and sub-groups to fulfil specific purposes. These people must be made cognisant of the council's risk management arrangements and encouraged to engage fully. Particular attention must be paid to risks arising at responsibility interfaces between the council and partner organisations.
- 6.5 **Employees.** Employees will undertake their job within risk management guidelines, ensuring that their skills and knowledge are used effectively to identify risks and possible mitigating actions to the Clerk as appropriate.
- 6.6 **Internal Auditor.** The Annual Governance Statement requires evidence the council had assessed the risks facing it and took appropriate steps to manage those risks. The Internal Auditor will seek evidence from the Risk Register in order to assess compliance.

See DFPC Risk Register for details.