

Risk Management Strategy

Bowes Parish Council



Author of Strategy	Ross Woodley, Parish Clerk and Responsible Financial Officer
Date	12 February 2025
Effective From	To be approved by Bowes Parish Council on 18 February 2025
Review Date	Annual review of the risk register by the Council in March, with review of this strategy in February 2030

Introduction

1. Proper Practice in the JPAG Practitioner's Guide 2024 requires all smaller authorities to perform an assessment of the risks it faces and to take appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required. This assessment informs the Council's answer to assertion five of the Annual Governance Statement.
2. The Council needs to identify, assess and record risks associated with actions and decisions it has taken or considered taking during the year that could have financial or reputational consequences. Having identified, assessed and recorded the risks, the Council needs to address them by ensuring that appropriate measures are in place to mitigate and manage risk.
3. Bowes Parish Council has met this requirement through annually reviewing, updating and approving a risk register, which identifies remedial action for each risk identified. The register was last updated in April 2024 and is included at Appendix 1. Although this meets the minimum requirements of Proper Practice in Part 1 of the Practitioner's Guide, it is insufficiently comprehensive, strategic, and dynamic to comply with good practice in Section 5 of the Guide.
4. Accordingly, the Council are asked to approve this Risk Management Strategy in February 2025 to inform a new risk register to consider in March 2025. This strategy is designed to:
 - 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 by agreeing further action wherever residual risk exceeds the Council's risk appetite.

Types of Risk

5. The Institute of Risk management defines risk as *"the combination of the probability of an event and its consequence. Consequences can range from positive to negative."*
6. The process of risk management is defined as *"the process which aims to help organisations understand, evaluate and take action on all their risks with a view to increasing the probability of success and reducing the likelihood of failure."*
7. 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.

8. Table 1 describes the four main categories of risk, which the Council will use to identify and classify risks for inclusion in its risk register:

Table 1: Categories of Risk

Category	Definition
Strategic risk	Long-term adverse impacts from poor decisionmaking or poor implementation. Risks damage to the reputation of the Council, loss of public confidence, and in a worst-case scenario Principal Authority 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, inability to enforce contracts.
Financial risk	Fraud and corruption, waste, excess demand for services, bad debts. Risk of additional audit investigation, objections to accounts, reduced service delivery, dramatically increased Council tax levels/impact on Council reserves.
Operational risk	Failure to deliver services effectively, malfunctioning equipment, hazards to service users, the public or staff, damage to property. Risk of insurance claims, higher insurance premiums, lengthy recovery processes.

Risk Management Policy

9. Bowes 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 eliminated it is accepted that much can be done to reduce the extent of injury, damage, and financial loss. **Therefore, Bowes Parish Council is committed to identifying, reducing, or eliminating risks to an acceptable level.**
10. 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.**

Roles and responsibilities

11. **The Council** – risk management is a key part of Members' stewardship role and there is an expectation that Members will lead and monitor the approach

adopted. This includes:

- 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 Governance Statement; and,
- Assessment of risks whilst setting the budget, including any bids for resources to tackle specific issues.

12. **Parish Clerk** – will oversee the implementation of the Risk Management Strategy and provide:

- advice as to the legality of policy and service delivery choices;
- advice on the implications of potential service actions for the Council's corporate aims and objectives;
- update to the Council on the implications of new or revised legislation;
- assistance in managing any litigation claims;
- advice on any human resource issues relating to strategic policy options or the risks associated with operational decisions;
- advice on any health and safety implications of the chosen or proposed arrangements for service delivery; and,
- report progress to the Council.

13. **Responsible Financial Officer** (Currently the Parish Clerk) – as the Council's Section 151 Officer, will:

- assess and implement the Council's insurance requirements;
- assess the financial implications of strategic policy options;
- ensure effective budget planning and control; and
- assess and inform investment decisions made by the Council.

Risk Identification

14. The Council should reflect on the financial year and formally assess the risks it has faced and expects to face in the year ahead at its March meeting. In March 2025 this will be a zero-based review using a draft risk register prepared by the Parish Clerk. In future years, the Council will use the existing risk register and update it by considering:

- If the risks in the register have been eliminated or evolved so their probability and impact has changed;
- If any new risks have arisen, the action taken to date and the residual probability and impact; and
- Any future risks that are on the horizon.

15. However, risk identification should also be dynamic. Thus, the Parish Clerk will take account of any significant changes in the risk environment when preparing agenda packs and advise the Council where a development or proposal is likely to have a significant impact on the risks faced by the Council. The Council should take account of this advice in passing resolutions and suggest in-year updates to the risk register, wherever appropriate.

Risk Analysis

16. 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. 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).

17. The scores for impact and likelihood are added together to record for each risk in the risk register a total risk. The assessment should reflect the residual risk after any mitigating actions already in place. The risk register should describe the existing mitigation and residual risk as RED, AMBER or GREEN.

18. The Council should annually set a risk appetite. For example, the Council could accept amber or green residual risks but propose further remedial measures for red risks. Alternatively, a more risk-averse approach could be taken by addressing rather than tolerating amber risks as well as red risks or all risks with an aggregate score above a set level.

19. Table 2 illustrates the proposed risk assessment matrix for analysing and scoring each risk in the risk register:

Table 2: Risk Assessment Matrix

Probability			
High - 3	3	6	9
Medium - 2	2	4	6
Low - 1	1	2	3
Impact	Low - 1	Medium - 2	High - 3

Risk Control

20. 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, or a conclusion that existing operating

procedures are sufficient to keep the risk within the Council's appetite. However, in exceptional cases a new policy initiative will be required to reduce the risk to an acceptable level.

21. 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 the risk to mitigate financial impact; and,
- Acceptance – documenting a conscious decision after assessment of areas where the Council accepts or tolerates risk.

22. 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.

Conclusion

23. The risk identification, analysis and control processes will be documented in a revised risk register. Appendix 2 contains a proposed format for this register.

24. 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.

Appendix 1: Existing Risk Register Approved in April 2024

INTRODUCTION

It is the responsibility of the RFO to ensure that members are aware of the areas at risk. However, the Council has ultimate responsibility for decisions and action.

Financial – accounting, cash control, audit, etc.

The Public – recreation grounds, burial grounds, etc.

Legal – Financial Regulations, records of the Council, etc.

Members – Declarations of Interest, receipt of gifts, etc.

Employees – conditions of employment, compliance with employment law

Health and Safety – all areas.

<u>Area</u>	<u>Risk</u>	<u>Action</u>
Finance	Cash loss Control	Financial Control Regulations. Accounts. Budgets. Authorised Payments. VAT Regulations. Reconciled bank balance. External audit.
Public liability	Risk to third parties	Adequate insurance.
Legal liability	Act within the law	Clerk to advise where appropriate. External advice when necessary. Minutes, etc.
Employer liability	Comply with the law	Comply with employment law. Issue and work within contracts of employment. Evaluate H & S issues. Clerk is the only employee.
Health and safety liability	Risk to members, employees, and members of the public	Regular checks of play park by external body & nominated Parish Councillor. Comply with health and safety guidelines. Cemetery – covered by public liability.

Appendix 2: Proposed Risk Register Format

Risk Category	Nature of Risk	Remedial Action to Date	Residual Risk Score	Further Action if above appetite
	<i>Describe every identified risk in each of the four categories.</i>	<i>Describe remedial measures already in place to mitigate the risk.</i>	<i>Red (6-9), Amber (3-4), Green (1-2).</i>	<i>Only applicable if residual risk > appetite.</i>
Strategic				
Financial				
Compliance				
Operational				