

## CHUDLEIGH TOWN COUNCIL: FINANCIAL RISK ASSESSMENT 2015/16

- 1.1 The Council is expected to carry out an annual assessment of the financial risks it is exposed to and identify any actions it considers necessary to minimise those risks.
- 1.2 The following table attempts to identify the risks involved and recommends the necessary actions. The list is not exhaustive and Council may wish to consider other risks not identified.

Service Area	Risk	Recommendation
Insurance	Public Liability (statutory)	Cover was increased to £10,000,000 in 2014 by our insurer with no increase in premium
	Employers Liability (statutory)	Continue existing cover (£10m)
	Money	Continue existing cover (£300K)
	Fidelity Guarantee	Annual cover Should be in line with the formula Total Balances plus 50% Precept. (current cover is £300K – balances will be approximately £150,000. 50% of precept is £55,000 so cover is adequate. Both members and employees are covered
	Property	A revaluation of the town hall was undertaken in January 2015 which resulted in the valuation increasing from £1,537,658 to £2,000,000. This has been reflected in higher insurance premiums. The asset register has been updated to take account of this change. I have increased contents cover to £50,139 to more accurately reflect the value of the Council's assets.
	Loss of revenue.	I have increased the cover of the loss of room rental income from £60,000 to £75,000 over a period of up to two years to take account of the police tenancy from 13/3/15
	Officials Indemnity.	Reduced to £250,000 (from £300,000) to more accurately

		reflect our income
	Libel & Slander	Is covered as part of the Public and Products liability insurance cover
Insurance contd	Personal Accident.	Continue existing cover which applies to both Town Council staff and members. In 2013 this cover was extended to cover volunteers undertaking work on Town Council property and land
	Play parks/sports facilities	I have increased the sum assured from £152,000 to £315,906 to take account of the newly constructed play park, MUGA and pagoda at Fore Street Park. This has increased our insurance premiums by £337 per annum

Service Area	Risk	Recommendation
Payroll	Payroll is outsourced to Hawthorn Accountancy Services	Maintain existing arrangement. Whilst cost has increased from £12-50 to £15 per month this service is still cheaper than it would be to undertake in house payroll services. The latter would require a SAGE package that costs around £40-00 per month
	Loss of services of provider.	The Assistant Clerk is experienced in payroll work and could undertake it until an alternative provider was found. DCC could also offer a payroll service
Invoices and payments	Payment arrangements Poor value for money Internal fraud	Continue with requirement to report all payments to Council for approval each month. Hirers are encouraged to pay by cheque or BACS so cash payments are minimal. The exception to this is when allotment rental payments are received (or Beating the Bounds entry fees) when most of the payments are in cash. However, the opportunity for internal fraud is minimal since the broad level of payments to be received is predictable so any significant variance would be spotted. We do not operate a petty cash system and all outgoing payments are made by cheque or direct debit The Council's financial regulations have been reviewed and additional validation checks were introduced in 2014. Signatories will inspect and sign invoices. The Chair of the Town Hall and Finance committee will carry out a 10% validation check each month.

		<p>The repeal of section 150(5) of the Local Government Act 1972 offers the council the opportunity to move away from cheque payments to the use of BACS and internet banking. Whilst this has many advantages for both the council and our suppliers it is also potentially more vulnerable to internal fraud. When the new council takes office in May 2015 they will be asked to approve a move to making the majority of our payments by BACS. This will require the input of the payments by the Town Clerk and the authorisation of the payment within 24 hours by one of two authorised councillors. If this does not happen the payment fails. This, coupled with inspection of the monthly bank statements by the Chair of Town Hall &amp; Finance Committee will provide the necessary safeguards</p>
	Reconciliation	<p>Bank reconciliation to be carried out on the receipt of each monthly statement. A copy of each bank reconciliation is sent to the internal auditor together with a copy of the monthly budget variance report which details expenditure against profile</p>
	Agency advice	<p>Continue with memberships of DALC and SLCC.</p>
Allotments	Increase in net expenditure.	<p>Review allotment rents annually. Plot rentals were increased by 50% with effect from October 2013 and increased by the normal £1 per plot in October 2014.</p>
Cemetery	Loss of service of contractor.	<p>Advertise vacancy immediately.</p>
	Increase in net expenditure	<p>Review fees annually. Cemetery charges were frozen in April 2015</p>

Parks	Unsafe trees result in claims against the Council	All open spaces with significantly sized trees are inspected and risk assessed by a qualified specialist every 2 or 3 years as recommended. All inspections are up to date
	Unsafe play equipment leading to claims against council.	Continue with daily maintenance and safety checks and take unsafe equipment out of service until repairs carried out. We have commissioned Play Safety Ltd to carry out quarterly safety inspections on all our play and sports facilities from March 2015.
	Increased costs due to vandalism of play park equipment	All play park equipment and surfaces are now insured at a value of £316,000
Precept	Annual precept not the result of proper detailed consideration.	Councillors will be asked in July of each year to consider what projects they may wish to fund in the coming year. The November Town Hall & Finance Committee meeting will receive details of the total potential costs of these projects together with day to day ongoing activities. They will then make a recommendation for the precept to the December full council meeting. Councillors will have the opportunity to fine tune the budget at the full council meeting in January before a final precept decision is taken by 31 January
	Inadequate monitoring of performance.	A variance report is produced each month detailing the difference between actual expenditure and the agreed budget. This is circulated to councillors and the internal auditor each month. This is discussed in detail at the quarterly meetings of the Town Hall & Finance Committee
Income	Drop in room hire income	Room hire income has increased consistently over the last four years and now stands at a level

		<p>300% higher than in 2009. This is due to an increase in hirers rather than increased charges. Considerable effort is put into advertising on behalf of hirers to try and ensure that their hires are viable. We now have two “full time” (5 days a week , 39 weeks a year) hirers in the pre-school and after school club which provides a sound income base. From March 2015 the police will be leasing office space on a 9 year lease. This will add further stability to our room hire income.</p>
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<b>Service Area</b>	<b>Risk</b>	<b>Recommendation</b>
Precept contd.	Illegal expenditure.	Continue to ensure that all expenditure is within legal powers. A record is kept of all expenditure appropriate to the section 137 heading
Accounting	Non-standard and/or non-compliant records kept.	Continue to require adequate, complete and statutory financial records and accounts
	Non-compliance with statutory deadlines for the completion/approval/submission of accounts and other financial returns.	Continue to ensure that all accounts and returns are completed and submitted by the deadlines.
	Non-compliance with internal audit requirements.	All recommendations made by internal auditor have been followed.
	Loss of experienced member of staff	This is an area of weakness. Were this to occur we would need to buy in outsourced services until a suitable replacement could be recruited. Hawthorns Accountancy Services, who conduct our internal audit, have been identified as a contractor able to provide this service
	Loss or corruption of SAGE records	The SAGE accounts are restarted from scratch each year which would limit the data lost. SAGE is backed-up off-site on a twice weekly basis It would be possible to rebuild SAGE from manuscript records

John Carlton  
Town Clerk  
18 March 2015