



RISK MANAGEMENT STRATEGY

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This Policy will be reviewed annually by the council.

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INTRODUCTION

This document sets out:

- What risk management is
- Why the Parish Council needs a Risk Management Strategy
- The risk management process
- Roles and responsibilities

The objectives of this strategy are to:

- Further develop risk management and raise its profile across the Parish Council
- Embed risk management as part of all decision making processes
- Ensure the Parish Council agrees how to handle risk throughout the Parish Council's domain
- Manage risk in accordance with best practice

WHAT RISK MANAGEMENT IS

Risk management is a process whereby risks are identified, evaluated and controlled, therefore reducing the likelihood of an action adversely affecting the Parish Council's ability to achieve its objectives.

Risk management is an essential feature of good governance. 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.

Risks do not always threaten potential financial losses, but may also cause indirect costs such as disruption of normal working. Therefore not all risks are insurable and the emphasis should always be on eliminating or reducing risk before costly steps to transfer risk to another party are considered. Risk is not restricted to potential threats but can be connected with missed opportunities. Good risk management can facilitate proactive, rather than merely defensive responses.

WHY THE PARISH COUNCIL NEEDS A RISK MANAGEMENT STRATEGY

Risk management will strengthen the ability of the Parish Council to achieve its objectives and enhance the value of services provided. Strategic risk management is an important element in demonstrating continuous service improvement.

There is a requirement under the Accounts and Audit Regulations 2015 to establish and maintain effective arrangements for the management of risk.

THE RISK MANAGEMENT PROCESS

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.

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 actions and their consequences. If a risk is seen to be unacceptable, then steps need to be taken to control or respond to the risk.

Risks can be considered by looking at the likelihood of an event or action occurring, and its possible impact on the Parish Council. This gives a risk matrix of likelihood against impact, which will identify where the worst risks lie and thus direct mitigation plans.

Likelihood The likelihood of an event occurring means the potential frequency. How easy it is for something to happen, or the motivation to cause the event must also be considered. Something that may occur very often, or that requires no special knowledge or skills, will be considered *Very Likely*. For example, rubbish being left after an event. Whereas removing all the data from the council's computer systems would need detailed knowledge and specialised skills and can only be a premeditated event, so would be considered *Unlikely*.

Impact The impact of an event or action can be considered as a financial cost, a legal consequence or reputational damage. The lowest level of impact is *Negligible*, where there would be minimal impact on the council, negligible financial loss, no legal consequences or a small reputational loss that can be made up in the short term. A *Critical* level of impact would mean significant financial loss, a serious violation of law or total loss of reputation which cannot be restored.

Setting Risk Levels

A score is assigned to each risk according to the matrix below.

			Impact			
			Negligible	Low	Medium	Critical
			1	2	3	4
Likelihood	Unlikely	1	1	2	3	4
	Possible	2	2	4	6	8
	Quite Often	3	3	6	9	12
	Very Likely	4	4	8	12	16

Risk Control

Risk control is the process of taking action to minimise the likelihood of the event or action 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.

Risks scoring 12 and above will be subject to detailed consideration and preparation of a contingency or action plan to appropriately control the risk.

Options for control include:

- Elimination (the circumstances from which the risk arises are removed so the risk no longer exists)
- Reduction (measures are implemented to reduce the impact or likelihood of the risk occurring)
- Transfer (a financial or other impact is passed to others, for example, by revising contractual terms)
- Sharing (the risk is shared with another party)
- Insuring (insuring against some or all of the risk to mitigate the financial impact)
- Acceptance (documenting a conscious decision after assessment of areas where the council accepts or tolerates the risk)

ROLES AND RESPONSIBILITIES

Clerk/RFO

The Clerk/RFO will:

- In consultation with external advisors as necessary, provide advice as to the legality of policy and service delivery options
- Update the council on the implications of new or revised legislation
- Assist in handling any claims
- In consultation with external advisors as necessary, provide advice on any human resource issues relating to strategic policy options or the risks associated with operational decisions and assist in handling cases of work related illness or injury
- In consultation with external advisors as necessary, advise on any health and safety implications of the chosen or proposed arrangements for service delivery
- Assess and implement the council's insurance requirements
- Assess the financial implications of strategic policy options
- Provide advice on budgetary planning and control
- Ensure that the financial information systems and processes allow effective budgetary control
- Ensure the council's Risk Assessment is maintained and reviewed

The Council

Risk management is seen as a key part of the council's role and there is an expectation that the council will lead and monitor the approach adopted, including:

- 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
- Assessment of risks whilst setting the budget
- Annual review of all aspects of the Risk Assessment other than those sections delegated to council committees

Committees

The Finance Committee, Village Hall Committee and any other committees with duly delegated authority, will review appropriate sections of the council's Risk Assessment annually.

Employees

All employees will undertake their job within risk management guidelines ensuring that their skills, experience and knowledge are used effectively. All employees will maintain an awareness of the impact and cost of risks. They will work to control risks or threats within their roles, monitor progress and report on task related risks to the Clerk/RFO.

Internal Auditor

The internal audit provides an important scrutiny role by carrying out audits to provide independent assurance to the council that the necessary risk management systems are in place and all significant business risks are being managed effectively. Internal audit reports and any recommendations contained within will help to shape the Annual Governance Statement.

CONCLUSION

The adoption of a sound risk management approach will have many benefits for the council and will assist in demonstrating that the council is committed to continuous service improvement and effective corporate governance.