

# Risk Management Policy

## 1. Introduction

- 1.1 This document forms Wickhambrook 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:
- Further develop risk management and raise its profile across the Parish Council;
  - Embed risk management through the ownership and management of risk as part of all decision making processes; and
  - Anticipate and respond to changing social, environmental and legislative requirements
  - Manage risk in accordance with best practice.

## 2. What Risk Management is

- 2.1 *'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, standards of conduct and service delivery arrangements.'* Audit Commission, *Worth the Risk: Improving Risk Management in Local Government*, (2001: 5)
- 2.2 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.
- 2.3 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. Risks damage to the reputation of the Parish Council, loss of public confidence, in a worst-case scenario Government intervention.
- Compliance Risk** – Failure to comply with legislation, laid down procedures or the lack of documentation to prove compliance. Risks 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. Risk of additional audit investigation, objection to accounts, reduced service delivery, dramatically increased Council Tax levels/impact on Parish Council reserves.
- Operating Risk** – Failure to deliver services effectively, malfunctioning equipment, hazards to service users, the general public or staff, damage to property. Risk of insurance claims, higher insurance premiums, lengthy recovery processes.

- 2.4 These risks can be broken down further into specific areas which could impact on the achievement of the Parish Council's strategic objectives and day-to-day delivery of services:

**Political** – Those associated with the failure to deliver local, regional or national policy;

**Financial** – Those affecting the ability of the Parish Council to meet its financial commitments; failure of major projects; internal and external audit requirements; failure to prioritise and allocate resources effectively; poor contract management; initiative overload;

**Social** – Those relating to the effects of changes in demographic, residential, or socio-economic trends on the Parish Council's ability to deliver its strategic priorities;

**Technological** – Those associated with the capacity of the Parish Council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. This includes the consequences of internal failures on the Parish Council's ability to deliver its objectives;

**Legal** – The ability of the Parish Council to meet legislative demands affecting breaches of legislation (UK & EU);

**Environmental** – Those relating to the environmental consequences of progressing the Parish Council's objectives in terms of energy-efficiency, pollution, recycling, emissions etc;

**Partnership/Contractual** – Those associated with the failure of partners/contractors to deliver services to an agreed cost and specification and similarly failure of the Parish Council to deliver services to an agreed cost and specification; compliance with procurement policies (internal/external); ensuring open and fair competition;

**Human Resources** – Those associated with the professional competence of staff; training and development; over-reliance on key personnel; ineffective project management; recruitment and selection issues;

**Organisational** – Those associated with the review of services and delivering continuous improvement;

**Health & Safety/Physical** – Those related to fire, safety, accident prevention and health & safety which pose a risk to both staff and the public; safeguarding and accounting of physical assets;

**Reputational** – Those associated with the changing needs of customers and the electorate; ensuring appropriate consultation; avoiding poor public and media relations.

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.

- 2.5 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. Measures to manage adverse risks are likely to help with managing positive ones.

### 3. Why the Parish Council needs a Risk Management Strategy

- 3.1 Risk management will strengthen the ability of the Parish Council to achieve its objectives and enhance the value of services provided.

- 3.2 The Risk Management Strategy will help to ensure that its Committees and service areas have an understanding of risk and that the Parish Council 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

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

*Risk management is an integral part of the Parish Council'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** – circumstances from which the risk arises are removed so that the risk no longer exists;

**Reduction** – 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 Parish Council accepts or tolerates risk.

##### 5.2 Risk Register

The Strategic Risk Register (*Appendix A*) 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 on a regular basis to ensure that any changes to the nature of any risk have been taken into account and the risk control procedures adapted

accordingly. . 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 Clerk and 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** – informed decisions can only be taken by the Council if it has identified and understood the hazards and risks facing the policies and decisions it has undertaken. Risks will be identified in the Annual Risk Assessment carried out in February / March of each year.

**Risk Analysis** – once risks have been identified, analysis should be undertaken as to the potential frequency of the risk and its consequences. If a risk is seen to be unacceptable then steps should be taken to ensure that the risk is controlled or a response it taken to the risk

**Risk Prioritisation** an assessment should be made of the impact and likelihood of risks occurring and prioritised as low, medium or high. High Risk will be subject to detailed consideration and preparation of a contingency/action plan to appropriately control the risk.

### **6. Roles and Responsibilities**

It is important that risk management becomes embedded into the everyday culture and performance management process of the Parish Council. The roles and responsibilities set out below, are designed to ensure that risk is managed effectively right across the Council and its operations, and responsibility for risk is located in the right place.

#### **The Council:**

- Establishing clear roles, responsibilities and reporting lines within the council for risk management
- Providing opportunities for shared learning on risk management across the council
- Providing risk management training and awareness sessions
- Incorporating risk management considerations into the Council's management processes
- Effective communication with, and the active involvement of, employees • Monitoring arrangements on an on-going basis
- Ensure that Internal Audit provides a scrutiny role to provide independent assurance to the Council that the necessary risk management systems are in place and all significant risks are being managed effectively
- Ensure that feedback from Internal and External Audit is fed into the
  - Council's risk management strategy
- Ensure that the Council reviews legal guidance published by NALC, on all matters relating to governance and accountability
- Ensure that Council is aware and trained to take effective action on the requirement under the General Data Protection Regulations 2018 on the documents needed to be kept in order to show that the Council is complying with the legislation.
- 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.

Ensure that the Council annually reviews the Risk Management Strategy and reviews the Insurance Schedule

**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 costs of risks and how to feed information into the formal process. They will work to control risks or threats within their roles, monitor progress and report on task related risks to their line manager or the Chair of the Council

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

Internal Audit assists the Parish Council in identifying both its financial and operational risks and seeks to assist the Parish Council 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.

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

## 7. Future Monitoring

**Review of Risk Management Strategy** – This Strategy will be reviewed annually by the Council

## 8. Conclusion

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