

Approved: April 2019
Review : April 2020

SOUTH WONSTON PARISH COUNCIL RISK MANAGEMENT POLICY AND STRATEGY

CONTENTS

1. Introduction
2. What is Risk Management?
3. Why does the Council need a Risk Management Strategy?
4. Implementing the Strategy
5. How will Risk Management feed in to the Council's existing policies?
6. Roles and Responsibilities
7. Conclusion
8. Freedom of Information

POLICY STATEMENT

The 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 goals and objectives and to maximise the opportunities to achieve its vision.

The 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 Council's management processes.

1.0 Introduction

1.1 This document forms the Council's Risk Management Strategy. It sets out:

- What is risk management;
- Why does the Council need a risk management strategy;
- What is the Council's philosophy on risk management;
- What is the risk management process
- How will risk management feed into the Council's existing policies
- Implementation timetable;
- Roles and responsibilities;
- Future monitoring

1.2 The objectives of this strategy are to:

- Further develop risk management and raise its profile across the Council;
- 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.

2.0 What is Risk Management?

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 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 Council and loss of public confidence.

Compliance Risk - failure to comply with legislation, laid down procedures or the lack of documentation to prove compliance. Risks expose 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 Precept levels/impact on 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 Not all 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 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.

3.0 Why does the Council need a Risk Management Strategy?

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

3.2 The Risk Management Strategy will help to ensure that the Council has an understanding of risk and that the 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 also an integral part of the audit process and as such is an important element in demonstrating continuous service improvement.
- 3.4 There is a requirement under the Accounts and Audit Regulations 2003 (SI2003/533) to establish and maintain a systematic strategy, framework and process for managing risk. Risks and their control will be collated in a Risk Register.

4.0 Implementing the Strategy

- 4.1 **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. The risks associated with these decisions can then be effectively managed. All risks are identified and recorded in the Council's Risk Register.
- 4.2 **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. If a risk is seen to be unacceptable, then steps need to be taken to control or respond to the risk.
- 4.3 **Risk Prioritisation** - An assessment should be undertaken of the impact and likelihood of risks occurring, with impact and likelihood being scored using a 4x4 matrix. Action will be taken to address any risks with a residual risk greater than 8 or where risk impact is judged to be major. Residual risks of between 4 and 8 will be subject to monitoring and action will be taken to reduce residual risk in all cases towards the tolerance level [4] as resources permit.
- 4.4 **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 require the identification and implementation of revised operating procedures, but in exceptional cases more drastic action will be required to reduce the risk to an acceptable level.

Options for control include:

Elimination – the circumstances from which the risk arises are removed 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 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 Council accepts or tolerates risk.

- 4.5 **Risk Monitoring** - 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.

5.0 How will Risk Management feed into the Council's existing policies?

- 5.1 The initial identification of risks has been achieved by the Parish Manager compiling a list of the risks which will be integrated into a comprehensive corporate Risk Register.
- 5.2 **Projects and Service Changes** – projects or changes to services will include risks identification and the measures to eliminate or control risks will be documented in agenda reports/briefing papers to be considered by the Council and its committees.
- 5.3 **Partnership Working** – the Council will continue to enter into a number of partnerships with organisations from the public, private, voluntary and community sectors where necessary. Part of the process of setting up future partnerships will be to ensure that all relevant risks are identified and that appropriate control mechanisms are built into the management arrangements for the partnership.

6.0 Roles and Responsibilities

- 6.1 It is important that risk management becomes embedded into the every day culture and performance management process of the 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 process must be driven from the top but must also involve Council staff.
- 6.2 **Elected Members** – risk management is seen as a key part of the Elected Member's role and there is an expectation that Elected Members will lead and monitor the approach adopted, including
- a) Approval of the Risk Management Strategy;
 - b) Analysis of key risks in reports on major projects, ensuring that all future projects and services undertaken are adequately risk managed;
 - c) Consideration, and if appropriate, endorsement of the Annual Statement of Internal Control; and
 - d) Assessment of risks whilst setting the budget, including any bids for resources to tackle specific issues.
- 6.3 **Parish Clerk** – will be responsible for overseeing the implementation of the detail of the Risk Management Strategy. The Parish Clerk will:
- a) provide advice as to the legality of policy and service delivery choices;
 - b) provide advice on the implications for service areas of the Council's aims and objectives;
 - c) update the Council on the implications of new or revised legislation;
 - d) assist in handling any litigation claims;
 - e) 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;
 - f) advise on any health and safety implications of the chosen or proposed arrangements for service delivery;
 - g) report progress to Council via the Scrutiny Committee.

- 6.4 **Responsible Finance Officer (RFO)** – The RFO will also:

- (a) Assess and implement the Council's insurance requirements;
- (b) Assess the financial implications of strategic policy options;
- (c) Provide assistance and advice on budgetary planning and control;
- (d) Ensure that the financial information system allows effective budgetary control; and
- (e) Effectively manage the Council's investment and loans.

6.5 **Role of Internal Audit** – 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 assists the Council in identifying both its financial and operational risks and seeks to assist the 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 Statement of Internal Control.

The Council will use its best endeavours to ensure that the role of internal audit remains independent and competent.

6.6 **Finance Committee** – Review and future development of the Risk Management Policy and Strategy and review of the Risk Register will be overseen by the Finance Committee.

6.7 **Training** – Where possible Risk Management training will be provided to Members and staff through a variety of mediums. The aim will be to ensure that both Members and staff have the skills necessary to identify, evaluate and control the risks associated with the services they provide.

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

7.0 **Review and Monitoring**- This Strategy will be reviewed on an annual basis by the Parish Clerk for consideration at the Annual Council meeting as part of the Council's continuing review of its policy documents, Standing Orders and Financial Regulations.

It is crucial that the Risk Register is reviewed and updated annually. New risks will emerge and need to be controlled. Feedback from Internal and External Audit can identify areas for improvement, as can the sharing of best practice via professional bodies, the National Association of Local Councils and relevant local council forums.

8.0 **Conclusion**

The adoption of a sound risk management approach has a number of benefits. Most importantly, it assists in demonstrating that the Council has in place policies and processes to effectively management its resources. In addition, is indicates a commitment to continuous service improvement and effective corporate governance.

9.0 **Freedom of Information**

In accordance with the Freedom of Information Act 2000, this document will be posted on the Council's Website www.southwonston-pc.gov.uk and copies of this document, the Risk Management Policy and the Risk Register will be available for inspection at the Council Offices.

APPENDIX**RISK ASSESSMENT MATRIX**

PROBABILITY

LIKELY	4	8	12	16
OCCASIONAL	3	6	9	12
SELDOM	2	4	6	8
UNLIKELY	1	2	3	4
	1	2	3	4
	MINOR	MODERATE	SUBSTANTIAL	MAJOR

IMPACT

Basis for Probability	Use guidance in appropriate RM strategy below
Basis for Impact	Use guidance in appropriate RM strategy below

MAJOR <i>Examples:</i> <ul style="list-style-type: none"> • Death • Medium term loss of service capability • Adverse national publicity • More than 10 people involved • Litigation almost certain and difficult to defend • Financial loss in excess of £150,000 • Breaches of law punishable by imprisonment 	SUBSTANTIAL <i>Examples:</i> <ul style="list-style-type: none"> • Extensive, permanent injuries, long term sickness • Short term loss of service capability • Adverse local publicity • Up to 10 people involved • Litigation to be expected • Financial loss between £50,000 and £100,000 • Breaches of the law punishable by fines only
MODERATE <i>Examples:</i> <ul style="list-style-type: none"> • Medical treatment required – long term injury • Short term disruption to service capability • Needs careful public relations • No more than 5 people involved • High potential for complaint, litigation possible • Financial loss between £5,000 and £50,000 • Breaches of regulations/standards 	MINOR <i>Examples:</i> <ul style="list-style-type: none"> • No injuries beyond first aid level • No significant disruption to service capability • Unlikely to cause any adverse publicity • No more than 2 people involved • Unlikely to cause complaint/litigation • Financial loss below £5,000 • Breaches of local procedures/standards