Risk Management Policy and Strategy

Introduction

Avening Parish Council recognises that it has a responsibility to manage risks effectively in order to protect its employees, assets, liabilities and the community against potential losses; to minimise uncertainty in achieving its goals and objectives, and to maximise the opportunities to achieve its goals.

Responsibility for effective Risk Management rests with all Members of the Council and employees.

Risk management is an integral part of the Council's management processes. 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.

This policy and strategy applies to all Councillors, employees, contractors or others who may be carrying out operations for and on behalf of the Council, and those who may be affected by their work.

Scope

This document outlines the Council's Risk Management Strategy. It details:

- What is risk management;

- Why does the Council need a risk management strategy;

- What is the risk management process and its links with existing processes;

- Roles and responsibilities;

- Future monitoring

The objectives of this strategy are to:

- Continually develop the risk management profile across the Council;

- Integrate risk management into the culture of the organisation;

- Embed risk management as an integral part of all decision-making processes.

- Manage risk in accordance with best practice.

- Ensure and matters raised through Health & Safety Audits are acknowledged and actioned.

What is Risk Management?

The principles of risk management is "the identification, assessment, and prioritisation of risk by the coordinated and economical application of resources to minimise, monitor and control the probability and/or impact of unfortunate events or to maximise the realisation of opportunities."

Risk management is an essential feature of good governance. An organisation that manages risk well is more likely to achieve its objectives. Risk management applies to all aspects of the Council's work not just health and safety.

Risk is not restricted to potential threats, but can also be connected with opportunities.

Risk can be classified into various types, the following examples are not exhaustive:

Strategic Risk – long-term adverse impacts from poor decision-making or poor implementation. Risks damage to the reputation of the Council, loss of public confidence and Government intervention.

Compliance and Conduct 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, objections to accounts, reduced service delivery, dramatically increased Precept levels/impact on Council reserves.

Operational Risk – failure to deliver services effectively, malfunctioning equipment, hazards to service users, the general public or staff, damage to property.

Environmental Risk – failure to deliver events and activities that protect human health or the environment. Risk of illness and death of the public, damage to the local environment.

Information and Technology Risk – failure to protect information and information systems from unauthorised access, use, disclosure, disruption, modification, perusal, inspection, recording or destruction.

Not all risks are insurable and even where insurance is available, premiums may not be cost effective and the monetary consideration might not be an adequate recompense. The emphasis by Council should always be on eliminating or reducing risk before costly steps to transfer risk to another party are considered.

Why does the Council need a Risk Management Strategy?

Council is fully committed to effective Risk Management, adopting best practices in the identification, evaluation and control of risks, in order to

- integrate risk management into the culture of the Council,

- eliminate or reduce risks to an acceptable level,

- anticipate and respond to changing social, environmental and legislative requirements, for example pandemics,

- prevent injury, sickness, damage and reduce the cost of risk, and

- raise awareness of the need for Risk Management.

Risk management will strengthen the ability of the Council to achieve its objectives and enhance the value of services provided. The Risk Management Strategy will help to ensure that

the Council understands risk and adopts a consistent approach to identifying and prioritising risks, enabling Council to choose the most appropriate method of dealing with each risk.

Risk management is an integral part of the Council audit process and is an important element in demonstrating good governance and continuous service improvement.

There is a requirement under the Accounts and Audit Regulations 2015 that the Council has a sound system of internal control which includes effective arrangements for the management of risk, financial control systems which ensure that risk is appropriately managed and an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes.

What is the Risk Management Process?

Implementing the Strategy

Risk management is an on-going activity which requires that all risks be systematically identified and managed in the most cost-effective manner within overall resources available.

Risks and their controls are collated into a Risk Register. Where deemed necessary, projects, changes to services or any partnership agreements will include a 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.

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. Each risk identified by the Council is recorded in the Council Risk Register.

Risk Analysis

Once risks have been identified, the impact type, severity and likelihood of risks occurring is systematically accessed and their consequences and appropriate control measures are put in place. Impact types include:

- Societal / customer
- Regulatory
- Reputational
- Business operations
- Financial

Impact severity is graded on a simple scale, using these examples as a guide:

High impact – parish and/or multiple village resident life changing events, removal of general power of confidence, sustained media interest, prevention of council function, >£100k loss.

Medium impact – individual instances of village resident harm, written/formal instances of government / regulator warning, single instance of media attention, partial prevention of council business, £20k loss.

Low impact- inconvenience to village residents, informal contact from government / regulator, low level social media interest, inconvenience to councillors,>£5k loss.

Likelihood is also graded on a simple scale:

Unlikely – 1 in 10 year event

Possible – 1 in 5 year event

Likely – may occur more than twice per year

If a risk is seen to be unacceptable, then steps need to be taken to control or respond to the risk. Action will be taken to address any risks where risk impact is judged to be major. Residual risks will be subject to monitoring. Action will be taken to minimise residual risk in all cases as resources permit.

Risk Rating

The final risk rating is based on the combination of impact and likelihood. This is combined to give a final rating, simplified to:

- Green (within council appetite)
- Amber (requires active control / treatment)
- Red (outside of appetite)
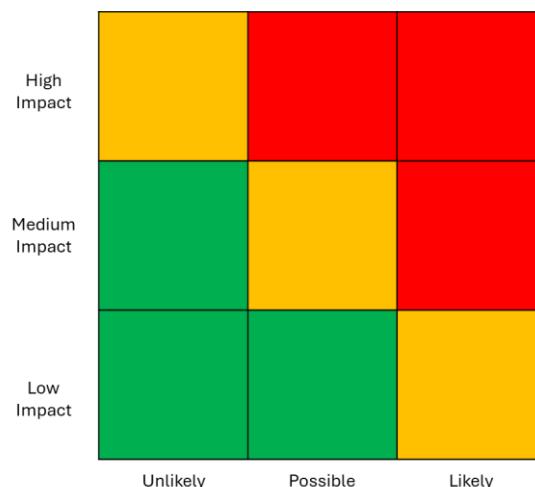
Risk control, mitigation & treatment

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.

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.

- **Acceptance** – documenting a conscious decision after assessment of areas where the Council accepts or tolerates risk.

Risk Monitoring

The risk management process does not finish with putting any risk control procedures in place. The 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.

The identification of risks is the responsibility of all parish councillors and the risk register will be stored in central location where all members can access it. A panel from the Finance Committee will review the Risk Register for the Council. The Council will build risk management procedures into the way that it operates as part of a commitment to quality and continuous service improvement.

Roles and Responsibilities

Risk management must be embedded into the everyday culture and performance management process of the Council. The roles and responsibilities below are designed to ensure that risk is managed effectively across the Council and its operations, and responsibility for risk is located in the right place.

Elected Members

Responsibility for effective Risk Management rests with all Members of the Council who have ultimate responsibility for Risk Management. Members will lead and monitor the approach to risk management adopted by the Council, including

- Approval of the Risk Management Strategy.

- Analyse key risks in reports on major projects or national events, ensuring that all future projects and services undertaken are adequately risk assessed and managed.

- Consider and endorse of the Annual Statement of Internal Control.

- Assessment of risks whilst setting the budget.

Finance Committee and financial controls

This committee will ensure continuous review and improvements to the Risk Management Policy and Strategy and will oversee regular reviews of the Risk Register with reports to Council.

- At least quarterly, 2 members of the Council will reconcile the bank accounts of the council against the monthly financial statements. This will be recorded formally during meetings. Further detail on financial control can be found in the Avening Parish Council Financial Regulations.

Clerk and Responsible Finance Officer (RFO)

Responsible for overseeing the implementation of the detail of the Risk Management Strategy. The Clerk/RFO will:

- provide advice as to the legality of policy and service delivery choices;

- provide advice on the implications for service areas of the Council's aims and objectives;

- update the Council on the implications of new or revised legislation;

- provide and/or seek advice on human resource matters;

- advise on any health and safety implications;

- assist in handling any litigation claims

- report progress to Council or the relevant committee;

- assess and implement the Council's insurance requirements;

- assess the financial implications of strategic policy options;

- provide assistance and advice on budgetary planning and control;

- ensure that the financial information system allows effective budgetary control;

- effectively manage the Council's cash holdings and loan portfolio.

Internal Auditor

Internal Audit provides an important scrutiny role as the auditor carries out an independent audit with written reports detailing recommendations as appropriate. This contributes to good governance arrangements with the Council having the necessary risk management systems in place to effectively manages all significant business risks.

Internal Audit helps the Council to improve and implement proper arrangements to manage both its financial and operational risk, including adequate and effective systems of internal control to reduce or eliminate the likelihood of errors or fraud.

The Council will ensure appointment of independent and competent internal auditors.

Training

The Council will aim to ensure that both Members and staff have the skills necessary to identify, evaluate and control the risks associated with the services they provide and receive risk management training as appropriate.

Relationship between the Clerk/RFO and the Council

The Council will ensure that it maintains a relationship of mutual trust and confidence with the Clerk/RFO.

Review and Monitoring

This Strategy will be reviewed by council on an annual basis 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.

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, it indicates a commitment to continuous service improvement and effective corporate governance.

Avening Parish Council Risk Register

Risk Type	Risk Description	Impact & Severity	Likelihood	Mitigation approach / Open actions	Rating
Strategic Risk	Failure to meet parish expectations / lack of confidence	• Societal / customer - L • Reputational - L	Possible	Reduction • Active engagement with the Parish and community • Recruitment of councillors from a variety of demographics	
	Negligence or dereliction of duty by trustees of the Village Hall	• Societal / customer - L • Reputational - L	Possible	Reduction • Clarity of role provided to trustees and challenged via the parish council meetings. In reality, the PC and Trustees are the same people, but all parties are instructed to act separately. The PC should endeavour to remain transparent with the actions of the Trustees • ACTION: A management committee could further reduce this risk but is not currently in place. Continue to pursue this to further reduce risk.	
Compliance and Conduct Risk	Failure to meet national / local regulations	• Societal / customer - L • Regulatory - M • Financial - M	Unlikely	Reduction • Mix of experience across the council including long standing members and a professional clerk • Training is made available	
	Conduct of councillors	• Reputational - L	Unlikely	Acceptance • The council is not able to control the conduct of councillors outside of their mandated role. Disrepute and conduct deemed unfit by other members of the council will be addressed individually.	
Financial Risk	Internal fraud / intentional mismanagement	• Reputational - L • Business operations - L • Financial - M	Unlikely	Reduction • Financial controls are detailed in the Avening Parish Council Financial Regulations document	
	External fraud	• Business operations - M • Financial - M	Unlikely	Reduction • Financial controls are detailed in the Avening Parish Council Financial Regulations document	
	Failure to manage funds	• Financial - M	Unlikely	Reduction • Financial controls are detailed in the Avening Parish Council Financial Regulations document	

	Limitations to the adequacy of precept	• Societal / customer - L • Financial - L	Possible	Reduction • Annually, the application for a precent amount will be matched by the Finance Committee against the future pipeline of planned works. • Planned works will be prioritised based on their value to the community and their cost to the council.	🟩
	Failure of record keeping	• Regulatory - L • Financial - M	Unlikely	Reduction • Financial controls are detailed in the Avening Parish Council Financial Regulations document	🟩
	Failure to manage tax commitments	• Regulatory - M • Financial - M	Unlikely	Reduction • Financial controls are detailed in the Avening Parish Council Financial Regulations document	🟩
Operational Risk	Loss / lack of councillors	• Societal / customer - L • Business operations - M	Possible	Reduction • Active recruitment will take place following the departure of any councillor	🟧
	Limitation to our ability to hold in-person meetings	• Business operations - L	Possible	Reduction • The business continuity plan for the PC is relatively simple: Communication: Shall be through regular channels, unless all telephone and digital options are unavailable. In this case, it is a short walk to most councillor's house Meeting space: To be agreed based on the nature of the event Transport and logistics: There exists enough access to 4x4's within the village that no special vehicle access requires forethough.	🟩
	Overspend on services received	• Reputational – L • Business operations - L • Financial - L	Possible	Reduction • Financial controls are detailed in the Avening Parish Council Financial Regulations document	🟩
	Failure to pay employees, contractors, service providers, 3rd parties	• Societal / customer - L • Reputational - L • Business operations - L • Financial – M	Unlikely	Reduction • Financial controls are detailed in the Avening Parish Council Financial Regulations document	🟩

	Failure to meet Health and Safety during PC meetings and events	• Societal / customer – L • Financial – L	Possible	Reduction • Consideration of potential hazards is the responsibility of all councillors. Where hazards that are seen to be more than Medium Impact (as defined in this policy) are identified, a risk assessment should be undertaken	🟩
	Damage to physical assets	• Societal / customer – M • Business operations - L • Financial - L	Likely	Insuring • The Hiscox Insurance schedule covering the PC is available, which details the insurance premiums and coverage Reduction • Regular checks of the playground and other owned assets.	
	Damage to IT systems preventing business	• Business operations - M • Financial - L	Unlikely	Reduction • A 3rd party IT consultancy assists the council with its IT infrastructure	🟩
Environmental Risk	Damage to the environment due to council-led activity	• Societal / customer - L • Regulatory - L • Reputational - M • Financial – M	Unlikely	Reduction • Consideration of potential hazards is the responsibility of all councillors. Where hazards that are seen to be more than Medium Impact (as defined in this policy) are identified, a risk assessment should be undertaken	🟩

Information and Technology Risk	Loss, damage of confidential, parish, personal (employee) and personal (parishioner) data	• Societal / customer - L
		• Regulatory - M
		• Reputational - M
		• Business operations - M
		• Financial - H
			Unlikely	Reduction
				• From the 14th of April 2016, all Parish Councils must adhere to The General Data Protection Regulation (Regulation (EU) 2016/679), abbreviated GDPR.
				• This document does not contain full detail of the compliance steps required under the law, but the council must ensure that personal data:
				  o Must be processed lawfully, fairly and transparently.
				  o Is only used for a specific processing purpose that the data subject has been made aware of and no other, without further consent.
				  o Should be adequate, relevant and limited i.e. only the minimum amount of data should be kept for specific processing.
				  o Must be accurate and where necessary kept up to date.
				  o Should not be stored for longer than is necessary, and that storage is safe and secure.
				  o Should be processed in a manner that ensures appropriate security and protection
					🟧