Winsley Parish Council

RISK MANAGEMENT POLICY

1 - Introduction

1.1. Winsley Parish Council recognises that it has a responsibility to manage risks effectively to protect its employees, assets, and community against potential losses, to minimise uncertainty in achieving its goals and objectives and to maximise opportunities to achieve its purpose. The Council is aware that some risks can never be eliminated fully so this policy is in place to provide a structured, systematic and focussed approach to managing risk.

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

1.3. This document sets out the Council's Risk Management Policy. It describes:

- What risk management is.
- The Council's need for a risk management policy.
- The Council's approach to risk management.
- How risk management links with the Council's business.
- Roles and responsibilities.
- Future monitoring.

1.4. The policy objectives of risk management are to:

- Raise awareness of the need for risk management and integrate risk management into the culture of the Council.
- Manage risk in accordance with best practice.
- Anticipate and respond to changing social, environmental and legislative requirements.
- Prevent loss, disruption, damage and injury and reduce the cost of risk, thereby maximising resources.
- To inform policy and operational decisions by identifying risks and their likely impact.

2 - 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 various ways 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 to normal working or damage to confidence and reputation. The examples below are not exhaustive:

- **Strategic Risk -** long-term adverse impacts from poor decision-making or poor implementation. Risks damage the reputation of the Council, can lead to loss of public confidence, and, 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. These risks could expose either the Council or councillors to prosecution, judicial review, employment tribunals and the inability to enforce contracts.
- **Financial Risk** - fraud and corruption, waste, excess demand for services, bad debts. Failure to manage risk could lead to 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 public or staff, damage to property. These risks may lead to 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 relate to opportunities. Hence 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 Council needs a Risk Management Policy

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

3.2. This Risk Management Policy will help to ensure that the Advisory Groups, and the Council itself, understand 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, or 'treating', each risk.

3.3. Strategic risk management is also an integral part of the Best Value process and as such is an important element in demonstrating continuous service improvement.

3.4. The External Audit process reviews risk management, and recommendations on the use of risk management are contained in "Governance and Accountability for Local councils – A Practitioner's Guide", published by NALC/SLCC.

4 - Implementing the Policy

4.1. Key aspects of implementing risk management are detailed below:

- **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 identified will be recorded in the Council's Risk Register.
- **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 otherwise respond to the risk.
- **Risk Prioritisation -** An assessment should be undertaken of the impact and likelihood of risks occurring, with impact and likelihood being scored on a 4x4 matrix:

INCREASING IMPACT	INCREASING LIKELIHOOD →			
↓	Virtually impossible to occur: 0 to 20% chance	Likely to occur: 21 to 50% chance	More likely to occur than not: 51% to 80% chance	Almost certain to occur: 81% to 100% chance
	1	**2**	**3**	**4**
	Very Unlikely	**Unlikely**	**Likely**	**Very Likely**
1 Minor				
2 Moderate				
3 Major				
4 Massive				**IMMEDIATE ACTION**

- **Risk Control** - Risk control is the process of responding 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, usually by the Clerk, but in exceptional cases more drastic action will be required to reduce the risk to an acceptable level, (sometimes known "as low as reasonably practicable") either through consideration at routine Council or Committee meetings, or at extraordinary meetings, or by direct intervention with immediate action.

4.2. Options for control include:

- **Elimination -** The 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 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 the consequences 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. 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.

4.3. 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 (allocation of reserves) and external protection.

5 - How Risk Management Links With The Council's Business

5.1. Understanding of risk will affect Council business in the following ways:

- **Best Value** – The Council will build risk management into the way that it operates as part of a commitment to quality and continuous improvement of services that it provides to the community.
- **Projects and Service Changes** – Projects or changes to services will consider risks and the measures to eliminate or control risks will be documented in agenda reports/briefing papers to be considered by the Council and its advisory groups.

- **Partnership Working** – The Council will continue to work with organisations from the public, private, voluntary and community sectors where necessary. Part of the process of setting-up partnerships will be to ensure that all relevant risks are identified and that appropriate control mechanisms are built into the management arrangements for a partnership.

6 - Roles and Responsibilities

6.1. It is important that risk management becomes embedded into the everyday culture and performance of the Parish Council. Roles and responsibilities are set out below. They are designed to ensure that risk is managed effectively across the Council and responsibility for risk is allocated appropriately.

6.2. **Councillors** – risk management is a key part of the elected member's stewardship role and there is an expectation that they will lead and monitor the approach adopted, including:

- Approval of the Risk Management Policy.
- Analysis of key risks in reports on major projects, ensuring that all future projects and services undertaken are adequately risk managed.
- Assessment of risks whilst setting the budget, including any bids for resources to tackle specific issues.

6.3. **Parish Clerk/Responsible Financial Officer** – will act as the Lead Officer on risk management and be responsible for overseeing the implementation of the detail of the Risk Management Policy and the control mechanisms, including financial controls and insurances, providing reports to the Governance Advisory Group, as necessary.

6.4. **Internal Audit** – Internal Audit provides an important scrutiny role by providing independent assurance to the Council that the necessary financial risk management systems are in place and all significant business risks are being managed effectively.
Internal audit can assist the Council in identifying its financial risks and 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.

6.5. **Training** – Risk management training will be provided to elected members through a variety of mediums, as necessary. The aim will be to ensure that councillors have the skills necessary to identify, evaluate and control the risks associated with the services the Council provide.

6.6. In addition to the roles and responsibilities set out above, the Council is keen to promote an environment within which its members and other stakeholders are encouraged to report adverse incidents promptly and openly.

7 - Monitoring

7.1. This policy will be reviewed by the Governance Advisory Group regularly, as part of the Council's review of its policy documents and Standing Orders. Recommendations for change will be considered by the Council.