

ELLISFIELD PARISH COUNCIL

RISK MANAGEMENT POLICY

1. Introduction

This document sets out:

- What risk management is
- The purpose and objectives of risk management
- Council's risk management policy statement
- Types of risk
- The risk management process
- Roles and responsibilities
- Future monitoring

This objectives of this policy are to

- Further develop risk management and raise its profile across the Parish Council
- Integrate risk management into the culture of the Parish
- Embed risk management through the ownership and management of risk as part of all decision-making processes
- Manage risk in accordance with best practice

This Risk Management Policy forms part of the Parish Council's internal control and corporate governance arrangements. The policy explains the Parish Council's underlying approach to risk management and documents the roles and responsibilities of Councillors and the Clerk. It also outlines the key aspects of the risk management process and identifies the main reporting procedures.

2. What is Risk Management

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 planned and systematic approach to the identification, analysis and economic control of all risks.

It 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.

3. Types of risk

In order to manage risk, the Council needs to know what risks it faces. Identifying risks is therefore the first step in the risk management process.

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:

- i. Financial - loss of money;
- i. Security - fraud, theft, embezzlement;

- ii. Property - damage to property;
- iii. Legal - breaking the law or being sued;
- iv. IT – failure of IT systems or misuse;
- v. Reputational – actions taken could harm the authority’s public reputation
- vi. Loss of key staff.

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.

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.

4. Why the Council needs a Risk Management Policy

Risk management will strengthen the ability of the Parish Council to achieve its objectives and enhance the value of services provided. The Risk Management Policy will help to ensure that all Committees, Working Groups and staff 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.

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5. Objectives of risk management

The objectives of risk management are to:

- Identify, evaluate and manage the opportunities and risks to which the Parish Council is exposed, at strategic and operational level
- Protect physical assets, promote employee and public safety and maximize resources
- Embed risk management into day-to-day management and working arrangements
- Enable effective and safe delivery of services to local people and to minimize the risk of significant failures
- Enable the identification of opportunities and risks associated with the Council’s budget options and business planning to ensure that opportunities and risks are controlled
- Enable better, more informed decision making at all levels
- Review, evaluate and implement issues identified from past experience
- Promote good corporate governance

It is the responsibility of all members and staff to have regard for risk management whilst carrying out their duties.

6. Risk management policy statement

Ellisfield 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 its opportunities.

The Parish Council is aware that some risks can never be eliminated fully and its strategy provides a structured, systematic and focused approach to managing risk. Risk Management is an integral part of the Parish Council's management processes.

7. Implementing the Policy

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 – 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
- Transfer – the financial impact is passed to others
- 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 Parish Council accepts or tolerates risk

8. Risk Register

The Risk Register will be reviewed and updated by the Finance and General Purposes Committee, at least once a year or when circumstances change, and reported to Full 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 help to inform on the nature and extent of insurance cover and the balance to be reached between self-insurance and external protection.

9. Risk Management System

There are four elements of the Risk Management System.

- **Risk Identification** – identifying and understanding the risks facing the Parish 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.
- **Risk Analysis** – once risks have been identified they need to be systematically and accurately assessed.
- **Risk Prioritisation** - an assessment should be undertaken of the impact and likelihood of risks occurring, with impact being scored as (5) Catastrophic (4) Major (3) Reportable (2) Serious (1) Minor. The likelihood is scored as (5) Frequent (4) Probable (3) Occasional (2) Improbable (1) Remote. The degree of risk is the multiplication of these two factors.
- **Risk Mitigations** – the actions and measures that can be taken to mitigate the risks are identified, along with steps needed to facilitate them.

10. Roles and Responsibilities

It is important that risk management becomes embedded into the everyday culture and performance 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.

Role of Councillors

Risk management is seen as a key part of Councillors' stewardship role and there is an expectation that Councillors 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

Role of the Clerk

The Clerk will act as the lead on risk management and will

- Implement policies on risk management and internal control
- Identify and evaluate the significant risks faced by the Parish Council for its consideration
- Provide adequate information in a timely manner to the parish council on the status of risk and controls
- Arrange for the internal auditor to undertake an annual review of effectiveness of the system of internal control and provide a report to the Parish Council.

Role Employees

Should there be other employees, they will work within risk management guidelines, maintaining 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 the Clerk.

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 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.

Whole Council

The whole council will be responsible for reviewing the Risk Management Policy and the Risk Register and making future changes to them.

The council has responsibility for ensuring that this policy is followed. The adoption of a sound risk management approach will assist in demonstrating that the Parish Council is committed to continuous service improvement and effective corporate governance.

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.

11. Risk Management as part of internal Control

The system of internal control incorporates risk management. This system encompasses a number of elements that together facilitate an effective and efficient operation, enabling the Parish Council to respond to operational, financial and commercial risks. These elements include:

- Policies and procedures
- Monthly reporting
- Planning and budgeting
- Internal Auditor (responsible for aspects of the annual review of effectiveness of internal control systems)
- Third party reports (e.g. external consultants)

The Parish Council will be managing many risks when it reviews its insurance and its systems. The minutes will record such reviews. Budget setting and insurance review are annual activities and the annual governance review is completed each year.

12. Annual Review of Effectiveness

On production of the Internal Auditor's annual report, the Council will make recommendations on its findings. In making any recommendations, the Parish Council will consider the following aspects:

- Timely identification and assessment of risks
- Prioritisation of risks and allocation of resources to address areas of high exposure
- Quality and timeliness of information on significant risks
- Time it takes for control breakdowns to be recognised or new risks to be identified
- Ability of the Parish Council to learn from its problems
- Commitment and speed with which corrective actions are implemented

When reviewing its risk register, the Council will

- Review the previous year and examine the Council's track record on effectiveness on risk management and internal control to assess if any changes need to be made
- Consider the internal and external risk profile of the coming year, noting any new areas of risk, and consider whether current internal control arrangements are likely to be effective
- Evaluate the potential consequences to the Council if an event that has been identified as a risk takes place and consider measures to avoid, reduce or control same

13. Conclusion

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